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|-----------|----------|-------------|----------|-------------|---------|
| Argentina | Shs 18 | Indonesia | Rs 7500 | Portugal | Esc 80 |
| Bahrain | Dr 1550 | Italy | L 1200 | S. Africa | Rs 6.00 |
| Bulgaria | Br 42 | Japan | Y550 | Singapore | SS 4.10 |
| Canada | C\$1.00 | Jordan | Fls 500 | S. Korea | Ps 110 |
| Denmark | DKr 2.00 | Kuwait | Fls 500 | S. Laos | Rs 100 |
| Egypt | £1.00 | Lithuania | Lt 8.00 | Sweden | Kr 8.00 |
| Finland | Fls 8.00 | Malta | Fls 42 | Switzerland | Fr 7.20 |
| France | Fr 8.00 | Mexico | Pes 300 | Tunisia | MT 325 |
| Germany | DM 2.20 | Morocco | Dir 6.00 | Turkey | TL 200 |
| Greece | Dr 2.20 | Netherlands | Fls 2.50 | U.S.A. | Dr 1.50 |
| Hong Kong | HK\$ 12 | Norway | Nkr 8.00 | U.K. | £1.20 |
| Ireland | Rp 15 | Philippines | Pes 20 | U.S.A. | Dr 1.50 |
| U.S.A. | Dr 1.50 | U.S.A. | \$1.00 | | |

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,783

Tuesday November 19 1985

D 8523 B

The view from
Deng's other
China, Page 19

World news

Business summary

Channel decision set for January

Britain and France underlined their commitment to building a cross-Channel "fixed link" and confirmed in a joint statement that they would announce before the end of next January which project for a bridge or tunnel, or a combination of both, had been chosen.

The statement said a formal treaty on the link would be signed next February.

UK Prime Minister Margaret Thatcher said after a summit meeting in London with President François Mitterrand of France that she would go to France for the announcement of the decision.

S. Africa death toll

South Africa police said 12 blacks were killed during clashes with police at the weekend, mainly in the troubled Eastern Cape. Soweto hospital crisis: Page 4

Deak shot dead

Nicholas Deak, 80-year-old chairman of the Deak Ferenc precious metals exchange, was shot dead in his New York office by a woman who also killed his receptionist. The woman was later disarmed and arrested.

Poles released

Seventy-five political prisoners have been released from Polish jails under a "humanitarian initiative", the official PAP newagency said.

Cleric murdered

A senior Christian cleric and his nephew were murdered in east Lebanon in what the Greek Catholic Bishop of Zahlé called a bid to "divide Lebanon". In Beirut, a statement issued in the name of the Islamic Jihad (Holy War) organisation said one of four French hostages held by kidnappers in Lebanon was "probably sick".

Zia to visit India

President Zia ul-Haq of Pakistan is to visit India next month for further talks with Prime Minister Rajiv Gandhi to improve strained relations between the two countries. The leaders, in Muscat for Oman's National Day celebrations, held a 30-minute meeting. Page 4

Ship hijack trial

Five men charged with armed offences connected with the hijacking of the Italian cruise liner Achille Lauro were sentenced in Genoa to jail terms ranging from four to nine years. Page 2

Pact critics hit

UK Prime Minister Margaret Thatcher attacked critics of the Anglo-Irish agreement signed last Friday and said it represented the best guarantee they had ever had. Page 13

Aid delayed

Two British military helicopters carrying vital rescue equipment to aid victims of the Colombian volcano disaster were delayed for 24 hours because they could not get permission to overfly or refuel in Nicaraguan airports. Seeking answers to disaster: Page 6

Cuban killed

A Cuban seeking asylum in the Venezuelan embassy in Havana was shot as he and another man climbed the compound fence after ignoring calls to stop from Cuban guards, diplomats said.

Spanish delays

Spanish air services were disrupted by delays and cancellations as air traffic controllers began a nationwide strike in pursuit of higher pay and shorter working hours. Page 3

US debt initiative to get new push

BY QUENTIN PEEL IN BRUSSELS

FINANCE MINISTERS of the European Community yesterday approved a two-part Ecu 1.75bn (\$1.47bn) loan package for Greece, to help the country through its present balance of payments crisis, but linked it to implementation of strict economic conditions.

The six-year loan will be made available in two equal instalments, one immediately and one in 12 months, with an unwritten but implicit insistence on the observance of the conditions worked out by the Greek Government and the European Commission.

The decision follows a lengthening discussion at the EEC Finance Council yesterday in which several ministers, led by Mr Gerhard Schröder of West Germany, criticised the Greek Government's economic management policy and called for strict implementation of the austerity measures.

The package is much tougher than the similar Ecu 4bn EEC loan made to France in 1983, although its conditions are more comparable with those set for Italy and Ireland in 1976.

However, it allows Greece a one-year delay in the imposition of value-added tax (VAT), as required by its EEC membership terms - the

second such postponement since it joined the Community in 1981.

The ministers agreed on a series of targets for key economic indicators:

- Wage indexation limited to the rate of inflation;
- An inflation target of 15 per cent by the end of 1986 (compared with 20 per cent at present), reduced to 10 per cent by mid-1987;
- Reduction of the public sector borrowing requirements as a proportion of gross domestic product by 4 percentage points, with a target of 13 per cent for 1986 and 9 percent for 1987;

Continued on Page 20

Britain, West Germany reject monetary reform plan, Page 20

Rescue plan floated for Tung shipping group

BY DAVID DODWELL IN HONG KONG, CARLA RAPORT IN TOKYO, AND ANDREW FISHER IN LONDON

PLANS were announced yesterday to restructure the finance and shipping operations of the troubled C. Y. Tung group of Hong Kong, which has total debts estimated at \$2bn as a result of ambitious new ship ordering.

Under the plan, a new container shipping concern will be set up by the publicly quoted part of the Tung group, Orient Overseas (Holdings) Ltd (OOHL), of which Tung owns about 80 per cent and which owes

more than \$1bn to its creditors.

At the Tokyo meeting, the Tung group appealed to creditors for a grace period of 180 days to come up with a debt restructuring plan.

Japanese creditors are owed more than 50 per cent of the \$1bn

Oohl faces annual loan repayments of about \$180m. It operates 55 ships, and its main business is Orient Overseas Container Line. The new container group, announced in Hong Kong yesterday, will take in the 23 container ships. It will not include Furness Withy of the UK, which is part of Oohl.

Deals in Oohl shares were suspended in September when the company said it had obtained a HK\$2.83m (\$US181.7m) to \$302.2m for its September 30, its first as owner of the Grindlays banking operation. Page 22

A creditors' steering committee was formed yesterday to advise the company on the restructuring scheme and help to implement it.

Financial adviser Hambro Pacific made clear that the problems were rooted in the entanglement of the Tung group's private and public corporate interests.

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Japanese creditors are owed more than 50 per cent of the \$1bn

A executive of Shearson Lehman Brothers, the US investment bank acting for the privately owned group, said after the meeting that creditors had tacitly agreed to await the restructuring plan before calling in loans.

Of the 70 banks and financial institutions owed money by the group, 18 are controlled by Mr C. Y. Tung, the late Mr C. Y. Tung, the founder, 30 are Japanese and the rest Hong Kong, US and European.

A creditors' steering committee was formed yesterday to advise the company on the restructuring scheme and help to implement it.

It includes Manufacturers Hanover, Trust, Chemical Bank, First National Bank of Chicago and First National Bank of Boston from the US, Standard Chartered of the UK, the Hongkong and Shanghai Banking Corporation, its main banker, and Bank of Tokyo, Industrial Bank of Japan and Fuji Bank. Other creditors include Banque Nationale de Paris.

Mr Grivina, a Soviet dissident, from the conference hall.

Mrs Grivina, who has served a prison sentence in the Soviet Union, came to the West three weeks ago after the Soviet authorities gave her an exit visa. She is campaigning for human rights in the Soviet Union.

Mr Lomteiko said that he could not give a press conference in the face of organised disruption and stalked out of the hall.

Mr McFarlane said that Mr Reagan would today give Mr Gorbachev a "comprehensive presentation" of US strengths, purposes, values and goals up to the end of the century. He would then elaborate on US views of Soviet goals and explicitly make clear his concerns over the pattern of Soviet international behaviour.

Mr Reagan would propose a framework for US-Soviet relations covering all four areas that the US wants to raise at the summit - bilateral, regional, human rights and security issues. Mr Reagan wanted to start a "sustained dialogue" to deal with these interrelated problems, he said.

Continued on Page 20

New York City is littered with Trump plazas and Trump towers. Although Mr Trump said yesterday that no site had been chosen for the world's biggest building, there is a high probability that the word "Trump" will appear somewhere in the title.

Towering ambition of a billion dollar builder

By William Hall in New York

MR DONALD TRUMP, the 38-year-old New York property tycoon, yesterday unveiled his third attempt to build the world's tallest building in New York City. This time he is convinced that he has a winner on his hands.

Mr Trump, who has done more than most to reshape the Manhattan skyline, yesterday announced his most ambitious project to date - Television City - which he plans to build on the upper west side of New York on the site of the old Penn Central Railroad yards.

With an eye on the major US television networks which are threatening to emigrate to California because of New York City's high taxes and cramped conditions, Mr Trump unveiled plans to build the "world's most technologically advanced television and motion picture production complex". The centrepiece will be a 150-storey building which will be 1,671 ft (509 m) high, exceeding by 216 ft the 1,454 ft Sears Tower in Chicago.

The world's tallest building belongs in New York, and the centre of the nation's television and film industries belongs in New York," a confident Mr Trump said yesterday.

Television City, according to his aides, will be "the largest and most dynamic new community ever built in New York" with 3.6m sq ft devoted to TV and movie studios, 1.1m sq ft of retail space and 8,000 apartments.

Mr Trump bought the 100-acre Penn Central Railroad yards, which stretch along the Hudson River from 59th Street to 72nd Street, for \$100m several years ago. Although he was not able to estimate the cost of his latest project, it is safe to say it will be in the billions of dollars, if it ever gets off the drawing board.

Mr Trump, who is said to be worth close to \$1bn himself and has recently added two Atlantic City casinos to his Manhattan property empire, hopes to break ground on his new project in early 1987 and complete the first phase by 1992.

If his other projects are any guide, however, his latest plans will come under fire from several quarters by people who argue that Mr Trump is on an ego trip which knows no bounds. Why else, they ask, does he insist that every project he builds carries his name.

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Continued on Page 20

Star Wars is first item on Soviet agenda

BY REGINALD DALE AND PATRICK COCKBURN IN GENEVA

MR Mikhail Gorbachev, the Soviet leader, yesterday firmly placed arms control and the US Star Wars space defence programme at the top of the agenda for his historic two-day meeting with President Ronald Reagan which opens in Geneva today.

Mr Gorbachev, arriving in Geneva for the first superpower summit with a private meeting between the two leaders at the lakeside mansion that the US has chosen as the venue for his first day of talks. Mr Gorbachev will host the second and final day of the talks tomorrow at the hillside Soviet diplomatic mission. Meanwhile, in West Germany, the summit has become an ingredient in Bonn's favourite guessing game.

President Reagan, "said Mr McFarlane,

Mr Speakes repeated the US view that the success or failure of the summit should not be judged by "tomorrow's headlines" but by how far it improved the climate in the months and years ahead. "The US believed that the basis for a stable peace had been created and Mr Reagan was determined to work towards that objective, he said.

US-Soviet relations had in the past ridden a roller coaster between euphoria and gloom and doom, Mr Speakes said. The US now wanted to make a fresh start in establishing a "stable, constructive and predictable" relationship.

The Soviet efforts to woo the 3,100 journalists attending the summit were disrupted when a news conference being given by Mr Vladimir Lomteiko, the Soviet Foreign Ministry spokesman, was abandoned in chaos after a Swiss policeman attempted to remove Mrs Irina Grivina, a Soviet dissident, from the conference hall.

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EUROPEAN NEWS

Chinese order for Italians

By Alan Friedman in Milan

ITALTEL, the Italian state-controlled telecommunications equipment maker, has won a £300m (\$18.9m) contract to build a telephone equipment factory in China. Italtel said last night that this contract - which calls for the plant to be built at Chongqing in Szechuan province - is part of a larger series of commercial agreements being negotiated.

The contract was signed in Peking by Mrs Marisa Bellisario, managing director of Italtel, which is part of the IRI-Seti state holding group. It is understood that the £300m initial deal is to be financed by a package of grants and low-interest export credits from Italy. Banca Nazionale del Lavoro (BNL), Italy's largest state-owned bank, is to manage the export credits associated with the project.

Under the terms of the Chongqing project, Italtel will license the Chinese to build a pulse code modulation (PCM) system and will also provide technical assistance and personnel.

The Milan-based Italtel last year made net profits of £25.2m, compared with £10.6m recorded in 1983. Sales in 1984 were 8.2 per cent higher at £112.9m and the gross operating margin was up almost 22 per cent at £15.3m.

Italy joins UK in attack on proposed cereals tax

By IVO DAWNAY IN BRUSSELS

A CLEAR majority of European Community farm ministers yesterday gave an unexpectedly warm welcome to the European Commission's outline proposals for a new producer tax on cereals farmers.

Britain's fears of being the sole opponent of the plan were proved premature, however, when Italy also expressed strong objections. Evidence of Italy's concern first emerged last week, when Mr Carlo Ripa di Meana, the junior Italian Commissioner, openly attacked the package in defiance of the normal convention of "collegiate" solidarity within the Commission.

Mr Ripa di Meana is said to have criticised the proposed co-responsibility levy on cereals as once again penalising the Italians with a tax on a crop of which Italy is a deficit producer.

Rome has repeatedly expressed annoyance in the past that its dairy and sugar beet farmers have suffered production restraints because of surpluses

in northern Europe. Yesterday, Mr Filippo Pandolfi, the Italian Agriculture Minister, took another tack arguing that the cereals proposals would transfer the problems of the grains surplus to consumers without guaranteeing a cut in output.

Mr Michael Jopling, the British minister, also expressed his long-standing preference for output to be reduced through price reductions. He said that other elements in the package, including a system of exemptions for smaller farmers and new quality standards, would hit UK farmers disproportionately.

He added later, however, that Britain did not rule out the use of producer taxes altogether.

The relatively calm reception of the Commission's plan suggests that the co-responsibility levy will now certainly be a component in the 1986-87 farm proposals, due to be tabled in the new year.

W. German industry forecast to spend more

By Rupert Cornwell in Bonn CAPITAL SPENDING by manufacturing industry in West Germany is likely to grow further next year - albeit at barely half the exceptional 13 per cent real increase in investment expected for 1985.

This pointer to continued strength in the economy

is provided by the latest survey of corporate investment

plans by the IFO economic

institute in Munich. The

study, carried out in August

and September, covers

almost 3,500 manufacturing

concerns.

In spite of the slackening

in the growth rate for 1986,

the economy is still maintaining

its growth momentum, as the

driving force behind

economic growth, generally

expected to be around 2.5

per cent this year.

Most experts predict that

1986 will see more of the

same, although the IFO

institute in Cologne, with

links to the employers' asso-

ciation, forecast yesterday

that the economy could

expand by as much as 3.5

per cent next year, fuelled

by a much-heralded, but long

delayed upturn in private

consumption.

According to the IFO sur-

vey, the raw materials and

production goods sectors will

make the running this year,

having lifted spending by np

to 25 per cent.

More than 50 per cent of

the companies interviewed

declared plans to boost in-

vestment next year. The main

impetus should come from

manufacturers of investment

goods.

● The trial opened yester-

day, and was immediately

adjourned for a week by Mr

Egon Franke, the former

Social Democrat Minister for

Inner German relations, on

charges of misusing DM 5.65m

(\$1.5m) of Ministry funds

between 1979 and 1982. Mr

Franke's defence maintains

that the funds not accounted

for were used to buy the

freedom of prisoners in West

Germany, in transactions of

which no financial records

exist.

The week's delay follows

objections from Mr Edgar

Hilt, co-defender and former

aid of Mr Franke, to the

composition of the court.

EUROPE ASKED TO CLARIFY ROLE OF ESA

Nasa seeks talks on space station

BY PETER MARSH

THE US is urgently seeking clarification from the 11-nation European Space Agency (ESA) on the role the latter will play in the international manned space station due to be built under US leadership in the early 1990s.

Officials from the Paris-based agency have been invited to a meeting in Washington next month where they will be asked to make plain Western Europe's intentions for the station, which is due to provide a base for activities such as low gravity materials processing.

The meeting has been called by the US National Aeronautics and Space Administration (Nasa) which wants to finalise plans for the station by March, ready for engineering develop-

ments

to start in January 1987.

Mr

Philip

Culbertson

associate

administrator

for

the

Office

of

Space

Station

at

Nasa

said

yesterday

in

London

that

Western

Europe

had

"found

it

difficult

to

get

its

act

together

over

the

station

STATE SECTOR CALL

Rocard rethinks the basic socialist doctrine

THERE ARE some issues on which political leaders hold heretical views but where they judge that silence is the better part of valour. The strength of Mr Michel Rocard is that he gains the confidence of being the French Socialist party's most probable candidate at the next Presidential election; it is that he is ready to be outspoken if that encourages the party to re-think its basic doctrines.

The process is true over the delicate issue of the future of the nationalised industries. The idea of allowing private shareholders a minority stake in the parent companies (of nationalised groups) does not shock me," he said in an interview.

"It is something I have always believed in. And more than that, it makes possible the type of cross-shareholdings at group level, without which strategic tie-ups on European scale are not feasible. But what does make me fearful is a massive programme of de-nationalisation."

Mr Rocard may have nourished such ideas for a long time but neither he nor other Socialist leaders have gone so far in spelling them out.

His initiative comes shortly after the Government, through the intermediary of Mr Laurent Fabius, the Prime Minister, put forward proposals that would legalise the possibility of nationalised groups offering to the public part of the capital in their subsidiaries.

It also comes on the eve of a major National Assembly debate on nationalised industries and President François Mitterrand's press conference on

The French Socialist Party's most likely candidate at the next Presidential election talks to David Housego in Paris

Thursday in which he is likely to defend the performance of the nationalised sector.

Mr Rocard declares himself a supporter of Mr Fabius's proposal, while seeing "certain technical difficulties."

"It is a way of releasing the problem of finding fresh capital for the nationalised groups, and of saving face over the principle of (state) ownership of the parent companies," he said.

But the problem is that if the capital structure of the parent companies and the subsidiaries is very different, then it is difficult to impose a unified management of their cash position. It is that type of management constraint that should lead us bit by bit to take a more flexible view of the nationalised sector. In practice some nationalised groups have already sought a listing for their subsidiaries on the Bourse (stock exchange).

Mr Rocard puts his initiative in the perspective of an indebted state no longer having the cash to provide the fresh capital funds that the nationalised companies will need, and of his view that the Socialists in 1981 should have gone for a 51 per cent stake on the companies they were taking over rather than full-scale nationalisation.

But equally he is a determined opponent of the denationalisation being proposed by the Opposition, on the grounds that it could allow US and Japanese companies to build up positions in French groups and that it will depress Bourse prices.

He said: "I am thus not favourable to a very large and massive programme of denationalisation. And I am not the only one. The whole of private industry would probably tell you the same."

Mr Rocard's outspokenness reflects the growing authority of a man who now sees his life-time ambition within reach.

Air controllers' pay strike disrupts Spanish flights

BY DAVID WHITE IN MADRID

SPANISH air services were disrupted by delays and cancellations yesterday as air traffic controllers started a nationwide strike in pursuit of higher pay and shorter hours.

Minimum service provisions invoked by the Ministry of Transport kept the number of flights cancelled by the national

carrier Iberia and its domestic sister airline Aviaco down to 74. These included 12 connections with European capitals.

The industrial action is due to continue today with little sign of settlement in view. Mr Manuel Mederos, director-general of civil aviation accused the controllers of wanting to be "the best paid in Europe at the same time as working the least."

He said the administration was ready to discuss technical improvement and more rest-hours but would not let its arm be twisted and raise pay by 70 per cent—which is what it says the demands amount to.

Spanish air controllers currently earned as much as or more than their counterparts in France, Italy and Portugal. Mr Mederos said, describing the strike campaign as "absolutely irrational and senseless."

The two-day strike follows a similar protest last week at the control centres of Madrid and Las Palmas in the Canary Islands.

EUROPEAN NEWS

Fireside chat will open East-West encounter

BY REGINALD DALE IN GENEVA

THE GENEVA SUMMIT opens today with a private tête-à-tête between the two leaders at the lakeside mansion that the US has chosen as the venue for the first day of talks—a grand 19th century villa called the Fleur d'Éau.

Mr Mikhail Gorbachev will host the second and final day of the talks tomorrow at the hill-

side Soviet diplomatic mission, also a classical-style villa, Villa Tocino, with a complex of newly renovated modern outbuildings in the grounds. Mr Gorbachev is also staying there.

The initial tête-à-tête starts at 10 this morning and is

scheduled to last for 15 minutes. Two armchairs will be set before a fireplace (snow is forecast) and President Ronald Reagan and Mr Gorbachev will have only their interpreters hovering in the background.

Mr Larry Speakes, the White House spokesman, said yesterday that the initial tête-à-tête was "open-ended" to allow the two men to "size each other up," and could last as long as 30 minutes. He suggested, however, that Mr Reagan and Mr Gorbachev would be anxious not to leave their staff waiting outside for too long in what he described as "informal stand-up discussions."

The morning plenary session, at which both Mr Reagan and Mr Gorbachev will be seated by the fireplace, will be devoted to a general overview. At lunchtime, both leaders will adjourn for further staff consultations.

The first afternoon has been earmarked for a plenary discussion of arms control, and in the evening Mr Gorbachev hosts a dinner at the Soviet mission.

Tomorrow, the arrangements are reversed, with the plenary session in the Soviet mission and Mr Reagan giving the dinner at the Maxton Saussure, his residential headquarters

just along the lake from the Fleur d'Éau.

What happens on Thursday morning has yet to be agreed. But it seems likely that the two leaders will appear at either joint or separate closing ceremonies to give their accounts of what has been achieved. Mr Reagan then goes to Brussels to brief Nato leaders in the afternoon and straight back to Washington to report to a special joint session of Congress at 9 pm Eastern US time the same night.

Mr Gorbachev and his wife arrive (right) at Geneva.



Honecker visit likely to depend on outcome

BY RUFERT CORNWELL IN BONN

THE SUMMIT, and the dispute over President Ronald Reagan's Strategic Defence Initiative (SDI) which threatens to dominate it, have now become ingredients in Bonn's favourite guessing game of the moment.

Insistent reports maintain that the East German leader, who was prevented by Soviet pressure from travelling to West Germany in September 1984, will be arriving between December 6 and 15. He would, it is claimed, make a "working visit" to Bonn for a few hours.

Over the past month speculation has steadily mounted that Mr Honecker, the international climate permitting, now intends to come in the first half of

December. Government spokesmen here resolutely deny all knowledge of such plans, but to no avail.

Insistent reports maintain that the East German leader, who was prevented by Soviet pressure from travelling to West Germany in September 1984, will be arriving between December 6 and 15. He would, it is claimed, make a "working visit" to Bonn for a few hours.

Whether early December is the right time depends, analysts agree, to some extent on the outcome of the Reagan-Gorbachev talks and the exact

moment of any understanding between Bonn and Washington over the vexed question of West German participation in the SDI.

Although East-West German relations can be surprisingly independent of the mood between the superpowers, officials accept that it would be hard for Mr Honecker to come here in the immediate aftermath of conspicuous failure in Geneva.

Blocked arteries give businessmen high blood pressure.

M6

M1

A1(M)

M11

Illustration: A stylized map of Europe showing major rivers and political boundaries. The map highlights the Rhine River system, with labels for M6, M1, A1(M), M11, M40, M4, and M3. The map is used to metaphorically represent the 'blocked arteries' mentioned in the headline.

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OVERSEAS NEWS

Singapore suffers severe slowdown

By CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S economy will contract by around 2 per cent this year, Mr Lee Kuan Yew, the Prime Minister, has forecast, and he has ruled out any great improvement next year.

The forecast, given in an interview with the *Shinmin*, the Japanese daily, confirms that the economy's deceleration this year will be one of the severest suffered by any country in the world. Growth in 1984 was 8.2 per cent.

Mr Lee said he based his forecast on figures up to October, although the Government has not even published figures for the third quarter. These were due out at the beginning of the

month, and most people expect a contraction worse than the second quarter figure of minus 1.4 per cent.

Singapore has suffered negative growth only twice in the 25 years since it became an independent state in 1963. For the past 20 years the island state has averaged just under 10 per cent annual growth.

One reason for the reversal is slow growth in the US, on which export-driven Singapore has become increasingly dependent.

But domestic construction has also slowed, and local industries such as ship-repairing, oil refining and petrochemicals face declining demand.

In addition high labour costs and a strong dollar have drastically eroded Singapore's competitiveness.

According to Mr Lee, "It is difficult to see great improvement in the short term, even if there should be a pick-up in the American economy, which may boost our manufacturing, our construction is slowing down." Major construction projects used for counter-cyclical spending had come to an end.

The Prime Minister indicated that it would take around three years for Singapore to recover from the recession. "We have to increase our productivity, hold wages at their present

levels and look for sunrise industries," he said.

In the past, Mr Lee has pointed to industries such as biotechnology, computer products, special chemicals and telecommunications equipment as potential growth areas.

The Government has taken certain measures over the past few months to counter the worst effects of the reversal.

These are said to amount to a stimulus worth \$51bn (£320m) in the current fiscal year. The measures included cuts in telecommunications and other charges, property tax rebates and fuel and power price reductions.

Mahathir in bid to boost links with China

By WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMED, the Malaysian Prime Minister, begins an eight-day official visit to China tomorrow, aimed at expanding trade and commercial links.

But the Malaysian leader has ruled out the prospect of any deepening of existing political and diplomatic relations.

In Peking Dr Mahathir will hold talks with his Chinese counterpart, Zhao Ziyang and the senior Chinese leader, Deng Xiaoping. A number of economic agreements are expected to be signed, these include avoidance of double taxation, a shipping pact and an agreement on direct trade.

China is expected to agree to

buy 200,000 tonnes of hot briquetted iron from a Malaysian sponge iron plant in Sabah, while a Malaysian company, QBS, is expected to win a contract to build a major trade and science exhibition centre at Tienjin.

Last year, total bilateral trade amounted to nearly \$600m and is strongly in China's favour. With Western countries consuming less and less of Malaysia's commodities such as rubber, palm oil and timber, the China market is an obvious alternative which Dr Mahathir will try to win.

Although Malaysia became the first country within the

Association of South-East Asian Nations—ASEAN—to establish diplomatic ties with China in 1974, Kuala Lumpur's distrust towards Peking's intentions are deep and difficult to dispel.

Like Indonesia, Malaysia regards China, and not Vietnam, as the long-term security threat to South East Asia.

Dr Mahathir sees China as engrossed in its own internal modernisation under the leadership of Deng. However, Malaysia fears that an economically powerful China could, in future, come under an ambitious and militarily-inclined leader, and this could spell trouble for South-east Asia.

It is in this context that Malaysia is unhappy with US plans to build up China's defence capability against the Soviet Union, since it fears that such weapons could well be used against China's southern neighbours.

Malaysian suspicions of Chinese intentions are reinforced by Peking's continued support for the local Communist parties in South-east Asia.

But the Malaysian Government recently carried out a major review on its China policy and concluded that an expansion of trade and commercial ties could be fostered without jeopardising national security interests.

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Soweto hospital crisis worsens

By ANTHONY ROBINSON IN JOHANNESBURG

THE CRISIS at Soweto's Baranwanish Hospital, where army medical personnel were moved in over the weekend to replace striking student nurses and auxiliary staff, deepened yesterday when 600 nurses were told to vacate their hostel within 24 hours.

This incident is the latest in a series of clashes between students and police that have become nearly a daily event.

Students stormed the DJP training centre, overcoming guards with petrol bombs and clubs. They beat up an auxiliary in the building for six hours, unfurling banners and shouting slogans against South Korea's President Chun Doo-Hwan. They called for an end to US support of the South Korean Government.

The students sprinkled petrol around the building and later carried out a threat to set fire to it if police moved in. All of the students were arrested. One student was injured as he leaped from the roof of the building, while two policemen and one fireman were injured by stones hurled at them.

Students led to a Health Worker Association spokesman said more than 300 auxiliary workers were also escorted by armed police to the administration block and obliged to accept their final pay packets.

Lawyers acting for the unions concerned were seeking an urgent court order to prevent the evictions while attempts were also under way to seek the intervention of the Minister of Health, Dr Willie Van Niekerk, in a dispute which risks spreading to other hospitals.

The South African Bisklof Municipal and Allied Workers Union (Sabmavu), which represents many of the dismissed nurses and auxiliaries, was

accused of looting and demanding withdrawal of the military, re-instatement for all and negotiation of their grievances.

Meanwhile, the South African Chamber of Mines, whose rejection of Government plans to repatriate foreign black workers led to hasty lockout tracking by the Government last week, has stepped up its campaign to ensure that the Government fulfils its promise to scrap discriminatory employment legislation next year, even if the employers' body and the white mining unions fail to reach agreement over this contentious issue.

The chamber is seeking replacement of the "scheduled person" definition, which reserves key technical positions to miners, to some 16,000 white miners, with training and other certificates. It is non-racial "competent person" definition which would open up skilled jobs in the mines to all races.

The white miners' union is fighting to prevent this.

Boy bias beats**China family planners**

By Robert Thomson in Peking

HAVING admitted that long-standing population control aims are unlikely to be realised by Chinese Government, a recently convened of international attitudes to its controversial population control programme now finds itself with less room for manoeuvre.

Instead of the hoped-for 1.2bn people by the year 2000, the Government-run Peking Review magazine now puts the likely figure at 1.25bn and rising. Instead of relaxing its tough stance on birth control, the Government has more reason to tighten its grip. Chinese leaders are extremely sensitive to criticism of the programme, both at home and abroad, and are determined to win the hearts and minds of an unapreciative and influential audience in the US Congress, where conservatives have extended the boundaries of their national anti-abortion campaign to take in China.

The American anti-abortionists led a push against US funds being used for Chinese population control and cut \$10m from a grant to the United Nations fund for population activities. They also delayed for several months the appointment of the new US ambassador to China, Mr Winston Lord.

At the centre of the US debate is an allegation that the Chinese Government, which calculates that there were 8m abortions last year, actively encourages forced abortions as a means of population control. While Chinese officials admit that over-zealous provincial officials have made "mistakes" by forcing abortions, they deny that such things are officially condoned.

Another source of embarrassment to the Chinese is the regular reports of female infanticide, which arises from the traditional preference for male children. Again the Government denies that it approves of the killings, and has publicised cases in a bid to eradicate the practice.

The Chinese Press reported that in two countries in the south, 210 baby girls were known to have been killed by their parents in 1983. The gruesome case histories included the drowning and strangling of newborn children. In the rural areas, if a family is to have only one child, then some dominant fathers insist that the child must be a boy. A boy is believed to be more productive in the fields, and more significantly, when a man is married, his wife becomes part of his family. Bringing up a female is therefore considered to be a bad investment.

Concessions have been made by the Government in allowing minority groups to have more children and the parents of handicapped children to have another child, but some concessions have served only to perpetuate the boy bias. In southern Guangdong province if a family's first-born is a girl, they are allowed to have another try for a boy.

In this week's Peking review, two letters were published from outraged provincial family-planning workers who defend China against "the slander of a few people" in the US. One of the workers told how she convinced a reluctant young wife to have a second child.

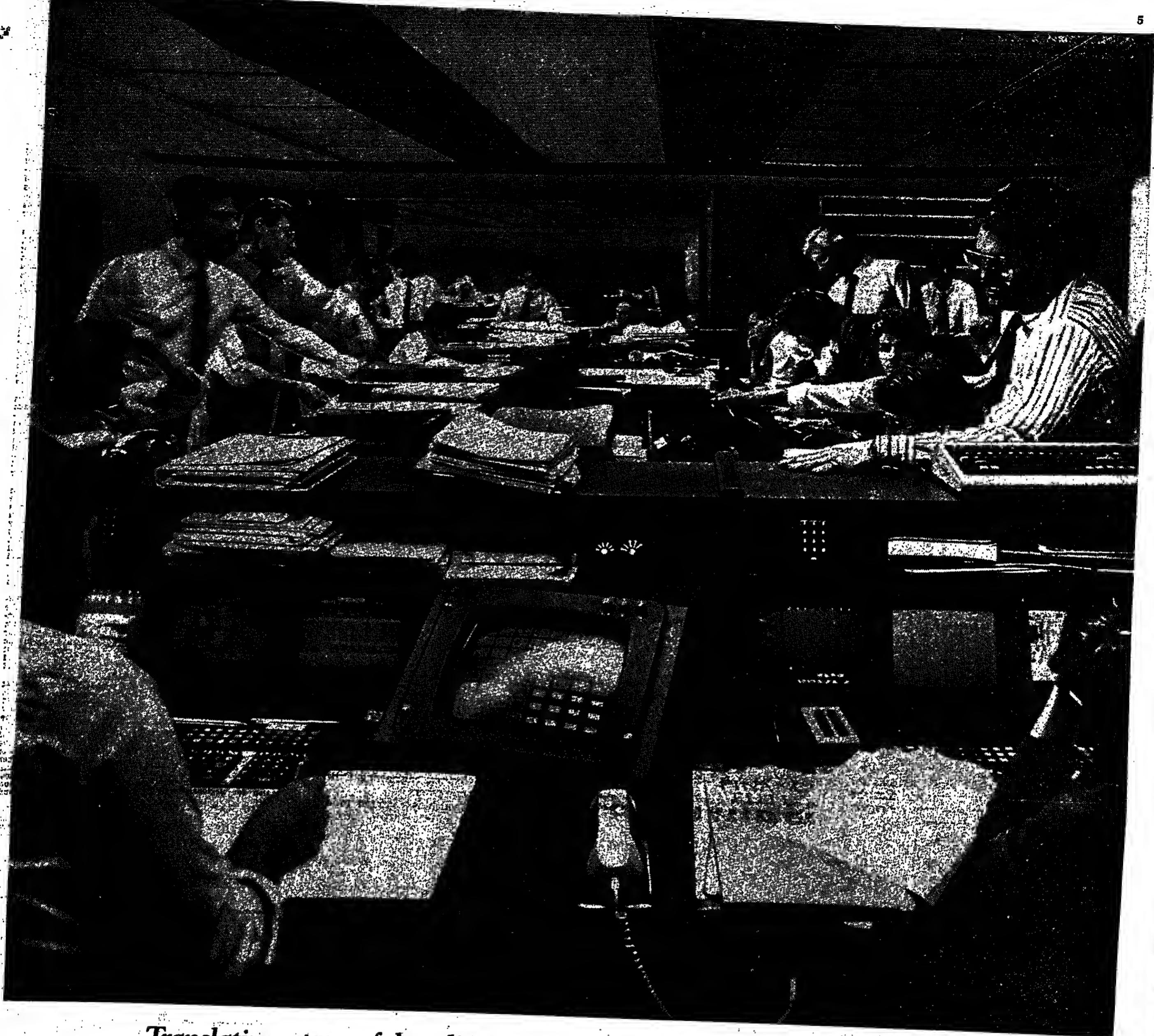
Another couple could not agree on whether to have a second child. The wife said she did not want another. Her husband however did want another, the worker, Cui Peihua, explained. "Through my persuasion, the wife decided to respect her husband's will. Now both are delighted with their second child."

They will probably not be so delighted by the loss of a state grant given to families who agree to have one child, or to tax increase imposed on parents who multiply beyond the one-child limit. The Chinese Government would no doubt like to ease the family planning controls to make the programme more internationally acceptable, but the overcrowding problems created by such a relaxation would verge on the disastrous.

In the most congested sections of Shanghai, each person has about two square metres of living space. Finding elbow room is a problem in almost every city. The Chinese Government has begun to research the long-term social side-effects of the one-child policy, which include the spoiled brat syndrome and the greying of China's baby-boomers — the result of Chairman Mao's population drive in the 1950s and 1960s.

A researcher at the Chinese Academy of Social Sciences, Chen Jiafeng, said that the Government is concerned that pampered single children will have a "centrifugal social force" rather than the "cohesive social force" that is most conducive to successful socialism.

As for the ageing problem, Chen foresees that the critical time will be about 2020. He frankly admits that there will be serious problems caused for the elderly. In two sets of grandparents there will be only one married couple to provide support.



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Source

AMERICAN NEWS

Substantial changes to tax reform Bill likely

By Stewart Fleming in Washington

THE CHAIRMAN of the US House of representatives' ways and means committee, Mr Dan Rostenkowski, is still hoping to complete work this week on the tax reform Bill which the committee has been working on for the past two months.

He is making it clear, however, that even if this ambitious deadline is met, the bill which finally emerges from the committee, which has the constitutional authority to originate tax legislation, will differ significantly from what the Reagan Administration wants to see.

Yesterday, in a further delay, a full committee session was postponed while two "working groups" of the panel, dealing with tax shelters and research and development tax credits, met to try to draft detailed proposals.

Over the weekend, during the course of drafting sessions called by Mr Rostenkowski to try to speed up its work, he disclosed that he expects the bill to have a top marginal tax rate higher than the 35 per cent level the Reagan Administration has said, it is not prepared to compromise on.

Mr Rostenkowski maintained, however, that the bill would still amount to "the biggest tax reform Bill in American history", and, in a bid to put pressure on the White House to accept it, added: "I would not want... us to lose the opportunity to write history in as large a document as this over one or two percentage points."

But Mr Rostenkowski has conceded that some of the biggest issues, apart from the top marginal rate, have yet to be resolved.

Even if the committee does succeed in meeting its ambitious deadline, Mr Rostenkowski has acknowledged that the full House may not be able to approve the bill by Christmas.

He conceded yesterday that there was even the possibility of a filibuster in the committee.

Superstar lawyer leads fight against tobacco groups

BY TERRY DODSWORTH IN NEW YORK

THE PRE-FIGHT skirmishing is over, the battle lines drawn, and the first shots were fired yesterday in what promises to be one of the most controversial legal contests ever fought in the US.

On the one side stands Mr. Belli, the flamboyant California lawyer whose campaigns against big business have given him superstar status and a megabuck income. On the other are the phalanx of lawyers, meticulously prepared to defend the tobacco group R. J. Reynolds, led to the development and aggravation of cancer" in Mr. Belli's client.

"They have spent \$3m on this case already, and they have a team of 20 lawyers," says Mr. Belli disparagingly. "We have just two—but only one of us can speak at a time, and we are 20 times as smart."

The R. J. Reynolds trial, to be held in Santa Barbara, not far from President Reagan's ranch, has attracted widespread interest in the US because it marks the beginning of a new legal offensive against the tobacco industry by the anti-

smoking lobby. At the moment, there are 35 cases outstanding against US tobacco companies, and two more are due to come to court within the next few months.

Lawyers say they are aiming to hit the tobacco companies with so many cases that they will not be able to bring their overwhelming financial strength to bear on any one courtroom.

Although Reynolds insists

that this wave of trials is

nothing new, there is no doubt

that the lobbyists have already

made an impact. Tobacco

shares have fallen more than

20 per cent from their peak in

early spring, at a time when the

stock market has risen by

around 13 per cent, and both

Reynolds and Philip Morris, the

two dominant groups in the

US, have splashed out billions

of dollars buying out compa-

nies in order to reduce their

exposure to tobacco.

Some analysts are now talk-

ing about tobacco company

shares as "speculative" stocks,

a clear sign of the nagging

doubts inspired by other pro-

tectionists.

Nevertheless, despite these

doubts on Wall Street, the fight against the tobacco industry will be excruciatingly difficult to win. About 20 years ago Mr. Belli himself lost a famous battle against Reynolds, and since then there have been a series of skirmishes, but totally futile efforts to try to show that the cigarette companies have a legal liability for causing cancer in smokers.

"Over the last 15 to 20 years, 200 cases have been brought against the tobacco companies," says a spokesman for Reynolds. "Of these, 145 have been disposed of. The score? Tobacco industry 145, plaintiff zero."

Mr. Belli is not in the least perturbed by this record of failure. Times have changed," he says, referring to his own defeat 20 years ago. "Today there is better law, better science, better analysis and better fact."

He has already sketched in the main points of his strategy—first to establish the link between smoking and cancer, something that has never yet stood up to courtroom scrutiny, and then to show that tobacco is addictive.

As in many Belli cases, he

has an emotional subject to deal with: the dead man, whose family is demanding damages of \$100m, was so deeply dependant on tobacco that he was caught removing his oxygen support system to take a puff of a cigarette.

Mr. Belli's bonny self-confidence is an intrinsic part of a style that has won him both acclaim and enmity over the years.

Indeed, to a large extent Mr. Belli led the way in a legal revolution that now has caused furious rows over the astronomical increases in some insurance policies, especially those covering medical malpractice and some forms of corporate risk.

Inevitably these actions have made him into a bête noire in some quarters, where he is disparagingly dismissed as an

"ambulance chaser" who lives parasitically on the anguish of others.

Liability lawyers often work on contingency fees

in which payment is a percentage

of the damages awarded.

To the underdogs who have benefited from Mr. Belli's intervention, however, he remains unquestionably the "king of torts" as *Life* magazine once called him. His attitude is that big business has to be hit in its pocket to be made to act responsibly, and,

at 78, he is attacking the Reynolds case with the gusto of a young man in pursuit of a juicy prize.

He has already won the first round of the publicity battle, receiving widespread coverage for his novel way of attacking the trial—he is sailing his 110 foot yacht, which contains 8 luxury staterooms, down to Santa Barbara to act as a floating headquarters.

The yacht, he reminds inquirers, is named the *Adequate Award*; and in case he is accused of self-interest in what is bound to be a particularly gruesome trial, he insists that he is giving all his fees to cancer research.

Colombia seeks answer to disaster

By Sarita Kendall in Bogota

AS THE avalanche of mud that buried the town of Armero, central Colombia, solidifies, arguments are focusing on whether the tragedy that killed more than 22,000 people could have been avoided.

Even at this stage the danger of another eruption of the Nevado de Rui still exists, according to Mr. Haroun Tazieff, a French expert. He had not been able to see the crater because of the steam and debris, but there was always the possibility of further activity after a week, or a month, or even years, he said.

The Colombian Government warned people in the area to be on alert after two explosions were heard near the crater on Saturday afternoon and people streamed out of the town near Armero to shelter on higher ground.

Some, particularly survivors of the mud-slide, have stayed there. One woman sheltering under a piece of plastic with her two children, said she had been on the hill-top since crawling out of the mud-slide caused by Wednesday's eruption.

Helicopters are still looking for and occasionally finding trapped people. Many of those who escaped refuse to leave the area: they are looking for friends and relations and have nowhere to go.

Clothing, tents, food and medical supplies are reaching the refugees, but rescuers fear the outbreak of epidemics. The next stage will be to plan for those left homeless.

The number of homeless survivors is small compared to the number of dead, and the national and international response to the disaster has ensured that immediate material needs are being met.

Every possible culprit is being blamed, from the village priest who said Armero's residents should remain and keep calm, to the Colombian Government for not carrying out full-scale evacuations.

Mr Paul Bell, US regional adviser on disasters, said there had been no possibility of an early warning.

"If we did respond to every kind of concern we have we would be moving hundreds of thousands of people every month and that of course is rather ridiculous. I don't think we should be so smug in laying blame for events that are totally unpredictable."

Other experts have said stronger measures should have been taken when the volcano showed signs of activity.

Joke on the jokers as democracy triumphs in Brazil polls

BY ANDREW WHITLEY IN RIO DE JANEIRO

PASQUIM, the Brazilian equivalent of *Private Eye*, the British satirical weekly, or *Le Canard Enchaîné*, in France, ran an entertaining spoof on its front cover last week. Its "painful duty" magazine said, was to announce the political death of Jango da Silva Quadros, on 15th November 1985—"run over by democracy."

Sad to report, as soon as the ballot boxes started to come in on Friday night from São Paulo, where the former Brazilian President was running for mayor, it rapidly became evident that the joke was on the jokers.

Not only in São Paulo, but in most of the other 200 towns and cities where municipal elections were held last week,

democracy triumphed, leaving the traditional power brokers of Brazil with egg all over their faces.

Nowhere was this more evident than in the north east, long dismissed by the rest of the country as a backward region where voters had been led by the nose to the slaughterhouse.

In São Paulo, where Governor Jose Agripino Maia was caught red-handed trying to fix the results in advance, his candidate was soundly defeated. In São Luis, home town of President Jose Sarney, the Sarney family candidate went down to his rival from the much-diminished Social Democratic Party, the military's former political vehicle.

As they licked their wounds,

the political chieftains of the Brazilian Democratic Movement Party (PMDB), the senior partners in the government coalition, must be blaming the PT for the party's shock defeat in São Paulo, where Senator Fernando Henrique Cardoso lost to Mr Jango Quadros by a narrow 3.4 per cent margin.

The PT polled nearly 20 per cent and effectively split the Left-wing vote.

Although a close race had been predicted, the opinion polls had consistently given the advantage to Senator Cardoso, a sociologist and former Senator, whose rapid political ascent has now received a severe setback.

What the pollsters and the PMDB underestimated in their cost was the strength of the almost messianic appeal which former President Quadros has for a certain type of Brazilian.

His personal eccentricities make him a wonderful butt for the cartoonists and political pundits. His drinking problem is widely aired. His abrupt resignation from the presidency in 1981, after only seven months in office, claiming that "hidden forces" were working against him, is regularly produced as evidence of his

resignation, which has never been properly explained, is usually said to have been a failed manoeuvre to overcome a stubborn Congress blocking the president's pet projects.

Subsequently, he sank into obscurity for many years, with occasional, fitful, media attempts. This time with the help of some powerful political barons of the contemporary

instability and unreliability. It was this resignation that plunged the country into chaos and led to the 1984 military coup.

But none of these defects make any difference to Mr. Quadros's supporters, most of them lower middle class shopkeepers or minor civil servants concerned about issues such as law and order. For them, the man with the symbol of the broom—to be used to clean out corruption and incompetence—can do no wrong.

A powerful, emotive speaker, Mr. Quadros has lost little of the fire and brimstone which gave him in 1980 the largest electoral victory in Brazil's history. President at the age of 43, he was often compared with John Kennedy of the US.

His resignation, which has never been properly explained, is usually said to have been a failed manoeuvre to overcome a stubborn Congress blocking the president's pet projects.

Subsequently, he sank into obscurity for many years, with occasional, fitful, media attempts.

This time with the help of some powerful political barons of the contemporary

scene, he has regained an important elected office.

As major of São Paulo and more Right-wing than ever, he can be expected to turn his attention to himself and his ideas onto the national stage in much the same way as Mr Jacques Chirac has done in Paris.

Winner: Mr Quadros

scene, he has regained an

important elected office.

As major of São Paulo and

more Right-wing than ever,

he can be expected to turn his

attention to himself and his

ideas onto the national

stage in much the same way

as Mr Jacques Chirac has done

in Paris.

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Financial Times Tuesday November 19 1985

WORLD TRADE NEWS

Tokyo rejects EEC proposals to lift imports

By JUREK MARTIN IN TOKYO

THE European Community has made scant progress in its latest attempt to find ways of persuading Japan to import more. Mr Shintaro Abe, the Japanese Foreign Minister, and Mr Willy de Clerq, Commissioner for External Relations and head of the EEC delegation, said yesterday that Japan had turned down the EEC request that it set quantified import targets for manufactured goods.

According to Mr de Clerq, Japan had also rejected an alternative EEC proposal—that it adopt a four part programme embracing import forecasts, monitoring, a publicly proposed long term "import vision" and macro-economic fiscal and monetary measures designed to stimulate imports.

Mr de Clerq described these measures as "merely procedural" and added that the adverse Japanese reaction would be noted in the mission's report to the Commission.

Mr Abe, who emphasised that three days of formal and informal talks here had been marked by the absence of "a confrontational manner," said that quantifiable targets for imports was an unrealistic approach.

He said it was not compatible to Japan's existing import action measures. He conceded that Japan's "import propensity" was too low, but suggested that this problem could be met by structural changes on which he gave no

details, in the Japanese economy and by the maintenance of a higher value for the yen, to which the Japanese Government was strongly committed.

The EEC mission had never expected to get Japanese backing for specific import targets. It had, however, expected a more positive response to its set quantified import targets for manufactured goods.

Mr de Clerq and Mr Abe insisted that the question of EEC retaliation against Japan (for example, through action under the General Agreement on Tariffs and Trade) had not been raised in this session. Mr de Clerq, however, said that the EEC's position on this was well known to need restating.

The major consolation that Mr de Clerq and his Commission colleagues—Mr Karl-Heinz Nierjes, the vice president responsible for industrial affairs, and Mr Peter Sutherland, the competition commissioner—pointed to was the Japanese admission that its propensity to import was, by international standards, too

Mr Abe said the Japanese had referred to its latest \$4bn (£2.8bn) domestic demand package, promulgated last month, and had suggested that more might be forthcoming in compilation. But again he provided no details and he reiterated Japan's known deficit problems.

China and UK in flights pact

By Lynton McLean in London

THE UK and China have agreed to increase the number of flights between Peking, London and Hong Kong.

The Hong Kong to Peking route will be served by two additional scheduled services a week by Cathay Pacific and two additional services by CAAC, the Chinese civil airline.

CAAC is also planning to introduce its second weekly service between London and Peking. (The extra flights were agreed at a meeting in London last week to review air services under the Civil Air Transport Agreement, signed in London in November 1978.)

The flights by Cathay Pacific between Hong Kong and Peking will be the airline's first scheduled flights on the route. Cathay operates a weekly charter service to Peking from Hong Kong.

More talks are to take place between British Airways and CAAC, to examine the future of British Airways' route from London via Hong Kong to Peking. There was nothing in the latest agreement to change BA's rights on the route.

Both sides expressed interest in servicing additional points in China, and there will be further discussions about this "in due course," the transport department in London said yesterday.

South Korea considers tyres tariff

By Steven R. Butler in Seoul

SOUTH KOREA may impose a 10 per cent emergency tariff on tyres in an attempt to curb a surge in imports.

The Ministry of Trade and Industry has formally requested the Finance Ministry to adopt the measure, which would raise tariffs on imported tyres from 35 per cent to 45 per cent.

South Korea imported 355,000 tyres in the first eight months of the year, an increase of 135 per cent, and imports by the year end are expected to reach 550,000, a rise of 167 per cent. The Bill for imported tyres this year is expected to reach about \$12m (£7.8m).

Michelin holds close to 70 per cent of the imported tyre market and Goodyear about 12 per cent.

The demand for tyres in South Korea is growing rapidly as the vehicle industry expands. Korean manufacturers supply more than half the tyres for the nation's cars. Goodyear is known to be interested in establishing a joint venture for tyre production in South Korea.

Austrians win Lebanon deal

ELIN-UNION, Austria's state-owned electrical engineering company, has won a share in a Sch 600m (£23m) contract to extend a power plant at La Kadisha, near Tripoli, in northern Lebanon. Patrick Blum reports from Vienna.

The contract was won jointly with Waagner-Biro, another

Austrian company which will be responsible for supplying boilers. Elin will provide and install the electrical equipment. The company said yesterday that the contract was backed by a standard credit line from the Österreichische Kontrollbank, and work on the project is expected to start later next year.

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Japanese tractor maker launches US sales drive

By IAN RODGER

KUBOTA, the leading Japanese farm equipment maker, is planning a major assault on the US market for medium sized tractors.

The move could present a strong challenge to British and West German producers, which dominate the US market for this category of tractor (40 to 100 horsepower).

Mr Tatsuzo Yumiba, an executive managing director of Kubota, said in a Financial Times interview that the company had begun marketing its new medium sized tractors in the US on a limited basis and was ready to step up its efforts

there. "It is a huge market with an immense absorption power," he said.

A move by Kubota into medium sized tractors has long been a subject of speculation in the European and North American farm equipment industries. The company has long been the world's leading supplier of small farm and garden tractors, expanding from a solid base on Japan's small scale farms. But it has hesitated to make larger machinery because of its limited potential in the home market.

Mr Yumiba said less than 5

per cent of the 100,000 tractors sold annually in Japan were more than 40 horsepower. In the US, the market for medium sized tractors is about 45,000 units a year.

Kubota developed a range of medium sized tractors about five years ago, and is now sufficiently confident about its competitiveness to launch it in export markets.

Initially, Kubota plans to concentrate its exports on the US market, partly because there is no longer any significant domestic production of these machines in the US and partly because

many of its 500 US dealers are enthusiastic. "They and their clients seem to be very happy with the quality of Kubota products and they are asking for more," Mr Yumiba said.

The company is not considering competing in European markets because "there is a substantial production base there."

"We would like to take time to see how we are accepted in the US before trying elsewhere," said Mr Yumiba. He acknowledged that the US market was very competitive.

It is not going to be easy. We

will take some time to work ourselves into the market." One UK to the US last year. Deere, the US industry leader, exports substantial numbers of medium sized tractors to the US from its plant in West Germany. Other European producers, such as Deutz of West Germany and Fiat of Italy also export tractors to the US.

Yanmar, the other major Japanese maker of small farm equipment, said last week that it would not follow Kubota's move into the medium sized tractor business. It sells its small tractors up to 60 horsepower in the US on an original equipment (OEM) basis to Deere.

West European light van market under attack from Japan

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BY THE 1990

the Japanese will take 40 per cent of the European light van market, the fastest-growing commercial vehicle sector, led by Volkswagen of West Germany and Ford, according to the DRI forecasting group in a report published today.

DRI says that during the past five years the Japanese have built their position of the European light van market to 20 per cent. Two developments in particular appear likely to extend the trend.

Firstly, the Japanese will manufacture more vans in Europe at their own factories. Nissan already is making its Vanette at its Motor Iberica subsidiary in Spain, for example.

Secondly, in response to their own falling market shares, the Europeans are likely to look for ways to reduce the cost and

investment needed for new van ranges and will use Japanese panelising.

On present plans, European vehicles could take 10 per cent of the European light commercial vehicle market, in addition to the near 20 per cent already taken by Japanese imports.

"Our expectation is that other manufacturers will join in the process and could take the penetration of Japanese designed light commercial vehicles to 40 per cent eventually."

This will make it increasingly difficult for European manufacturers to obtain the 100,000 annual sales volume they need for investment in major new light vans—such as the Ford Transit replacement, due shortly, or replacements for the Renault Trafic/Master range or the vehicles produced in Italy and sold as the Fiat Ducato, Peugeot JS/Citroen C25/Talbot.

The DRI report covers

demand and production of commercial vehicles by gross weight for 11 European markets up to 1995.

The report suggests the outlook is brightening for the European commercial manufacturers. European sales have stabilised at last year's level after four years of decline, and production has begun to show modest growth.

For many companies exports

have been the chief support to recovery and China in particular has provided at least a temporary market for European trucks with useful volumes.

Even so, Japanese manufacturers have won the lion's share of the available business in China.

The DRI European Trucks Forecast Report, £9.50 from DRI, 30 Old Queen Street, London SW1H 9HP.

EUROPEAN TRUCK PRODUCTION

| | (thousands) | 1984 | 1985 | 1986 | 1987 |
|----------------------------|-------------|-------|-------|-------|------|
| MEDIUM/HEAVY TRUCKS | | | | | |
| West Germany | 118.1 | 126.3 | 126.1 | 127.1 | |
| France | 40.3 | 29.3 | 32.3 | 37.8 | |
| UK | 50.4 | 56.3 | 57.6 | 54.7 | |
| Italy | 39.4 | 48.0 | 48.0 | 53.4 | |
| Spain | 16.0 | 17.2 | 16.1 | 22.6 | |
| Sweden | 53.0 | 55.4 | 58.5 | 67.2 | |
| Netherlands | 12.4 | 12.4 | 12.9 | 13.9 | |
| Total | 331.5 | 345.0 | 351.6 | 356.6 | |

LIGHT COMMERCIAL VEHICLES

| | 204.0 | 217.5 | 227.9 | 245.4 |
|--------------|-------|-------|---------|---------|
| West Germany | 204.0 | 205.5 | 220.0 | 237.4 |
| France | 34.5 | 35.5 | 36.0 | 37.4 |
| UK | 141.1 | 151.0 | 161.0 | 164.6 |
| Italy | 116.2 | 123.1 | 124.7 | 149.0 |
| Spain | 86.9 | 121.1 | 124.6 | 157.3 |
| Belgium | 35.2 | 48.1 | 61.4 | 67.1 |
| Total | 892.3 | 910.5 | 1,042.7 | 1,183.9 |

Source: ORI.

Facts about today's corporate environment

by John C. D. H. Smith

THE following facts are based on a survey of 1,000 companies in the UK and Europe.

1. The number of companies in the UK and Europe is increasing rapidly, with over 1,000 new companies being formed each year.

2. The majority of companies in the UK and Europe are small, with less than 10 employees.

3. The majority of companies in the UK and Europe are owned by individuals or families.

4. The majority of companies in the UK and Europe are located in the service sector.

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TECHNOLOGY

Monitor to beat test ban cheating

US NUCLEAR weapon scientists have one technology they are eager to share with the Soviets. It is a system for detecting and locating underground nuclear explosions, which they claim can distinguish infallibly between the smallest nuclear explosion and the rumblings of a restless earth.

Their dearly wish the USSR to agree to have their new unmanned instrument on Soviet soil. Both notions then would receive identical signals of any nuclear explosion anywhere in the world, and would thus have the basis for joint action. The world could be girdled with 30 such stations—15 in the Soviet Union and 15 elsewhere, the Americans believe.

If a complete test ban on nuclear explosions were agreed between the US and the Soviet Union, the system could give the necessary assurance that neither was cheating. But first the Soviets would have to gain the kind of confidence the US is beginning to show in Noress, its prototype seismic detector in Norway.

Noress—Norwegian regional seismic array—is a pattern of seismic detectors laid over a circular area of pine forest 3km across, near Hamar, 100 km north of Oslo. The array of 25 seismometers both detect and pinpoint the explosion.

Noress—Norwegian life with a telephone call from Washington to the Sandia National Laboratories in Albuquerque, New Mexico, in 1977, asking how quickly the scientists could invent a foolproof systems accept-

able to both sides in support of a treaty banning all nuclear testing.

Sandia distinguished five features believed crucial to acceptance of such a robot by the Soviets, says Dr Roger Hagenauer, director of systems studies.

They are:

- it must have no classified features; no "black box" inaccessible to the Soviets;
- it must be automated with absolute reliability, for at least a year between calibrations;
- it must be self-powered so that no-one could plead a power cut to explain gaps in the data;
- the data must be freely available to both sides with no opportunity for either to tamper with it;
- data must be made available in real time using an unclassified satellite for transmission.

Early in 1978 the Sandia scientists gave a Soviet team a presentation of their ideas in Geneva. One year later they had a demonstration running. But the political incentive to agree to a test ban slackened in the Richter scale.

One of the more useful ways of discriminating between earthquakes and underground explosions, says Sandia, is the

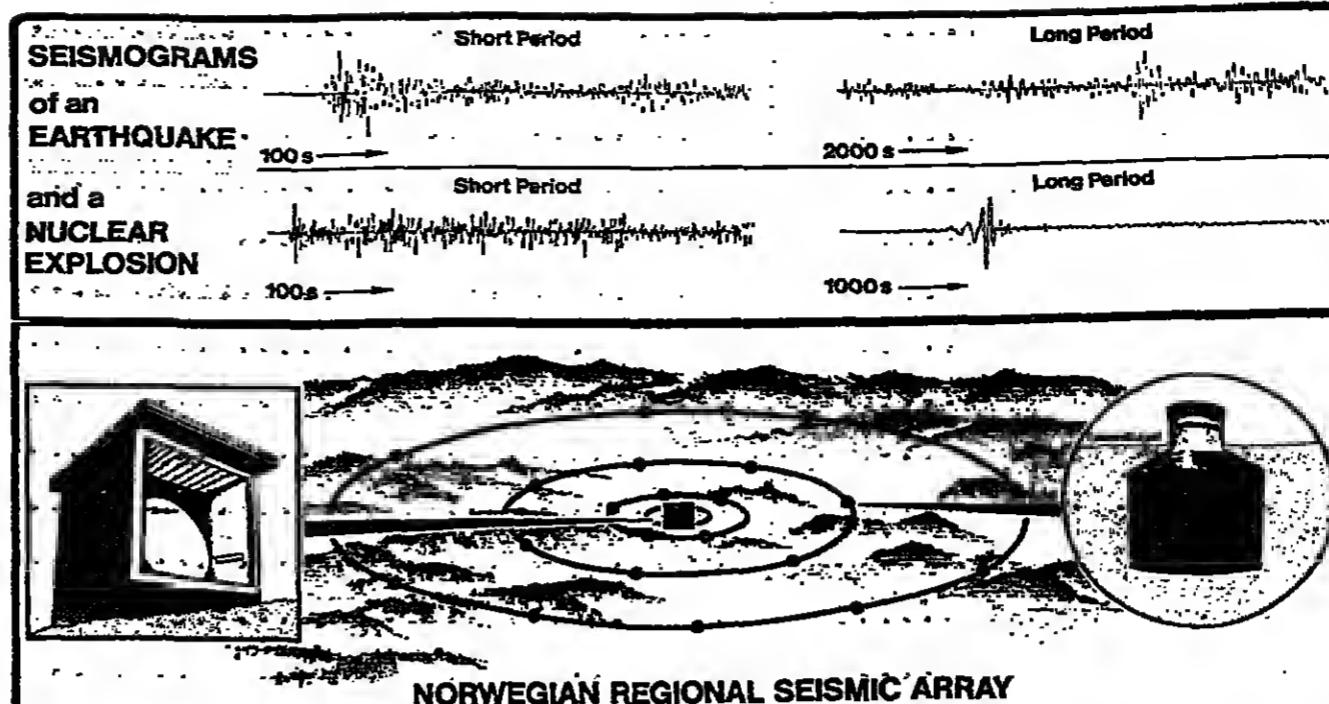
biguous data. For more than two decades the US has relied on its Vela satellites to spot atmospheric nuclear explosions. It is the world's only satellite system devoted solely to this purpose, in support of the Partial Test Ban Treaty of 1963.

Vela has blinks only once,

the US believes. In the late 1960s it registered a signal that looked suspiciously like a nuclear explosion in the southern hemisphere. But some details were missing from the signal, and no confirmatory evidence of any kind—such as fallout—was found. It demonstrates the difficulty of seeking absolute perfection.

Dr Hagenauer is confident, however, that scientists are nearer perfection with Noress, which is seeking a signal "that's extraordinarily difficult to block." It is a seismic signal characteristic of an explosion, which can travel all the way round the earth. In hard rock, a small nuclear explosion equivalent to 1,000 tonnes of TNT will cause perturbations equivalent to about 4 on the Richter scale.

The differences are readily apparent in the accompanying



Seismograms can clearly differentiate between an explosion and the rumblings of the restless earth. Noress is the prototype of a robot seismographic array proposed by the US to monitor nuclear explosions

seismograms, of an earthquake and a nuclear test of about equal magnitude. But the differences lessen with distance.

In addition, the designer can add his knowledge that earth

quakes have been observed at depth as great as about 700 Km, whereas nuclear explosions are restricted by the difficulties of drilling to few kilometres.

The clever feature of Noress is the design of its array, and the way it can sift a weak signal

submersed in background noise from the earth. Its designers

claim that it can spot signals at a frequency between one and 10 Hz. At the hub, both the physical and operational centre, are two more seismometers tuned to other frequencies, set in 60-metre holes. The cost is quite modest—Sandia thinks arrays could be installed for about \$1m each.

Integral to the design is the concept of "authentication," whereby a large body of data can readily be sampled to give assurance that there has been no tampering—or, if there has, that it is quickly disclosed. As a global system, it is also designed to use the Global Positioning System (Navstar) of 18 new satellites, scheduled for completion in 1988.

The US scientists are keenly alive to the problems of persuading the Soviets to accept such monitors. Only last summer did they permit their first inspections of nuclear power plant by inspectors from the International Atomic Energy Agency. Some kinds of technology make the Russians feel very uncomfortable. Dr Hagenauer says: "They have rejected inspection equipment which uses microprocessors."

But in Noress, Sandia believes it has a technology which

should be culturally acceptable,

and which has run reliably for

more than 9 years. It is one

which can be operated in a

hostile climate.

Moreover, it believes the

same basic system could be

adapted for the verification of

chemical arms control treaty,

simply by changing the basic

sensor.

The good news is
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Selling technology

Electronic link for design data

MARCONI ELECTRONIC Devices is setting up electronic links with its agents and larger users in the UK and Europe that will allow design data to be sent directly to the manufacturing unit in Lincoln.

Using mainly Mentor design workstations at the remote sites—which in effect become design centres—Marconi has already set up links with Germany, Switzerland, Scandinavia, Italy and the US.

Marconi supplies the necessary software for use on the terminals. Designers can then perfect their "chips" on the workstations, establish a telecommunications link on the packet switched services and send pattern generation and test patterns to Lincoln.

The semiconductor company can then immediately proceed with manufacturing, reducing the overall time for getting a chip to the market.

The company offers initial training in semi-custom chip design and using workstations and software so that users can confidently specify their own circuits.

More on 0322 688121.

Isolator shield for hardware

OWNERS OF computers and other electronic hardware who are worried about a nuclear war may be interested in shielded equipment to protect their installations from atomic explosions.

The equipment, known as Isolator, is sold by Marconi Radar Systems of Chelmsford. Isolator shielding protects electronic hardware from the sudden surge of electricity, known as an electromagnetic pulse, that would result from a nuclear detonation. Marconi hopes to sell the product to military installations and companies which make defence-related apparatus.

Computer system aids search for underground obstacles

CONSTRUCTION companies and electricity boards may be helped to pinpoint the positions of pipes and other underground metal objects with a computer system developed by Aprotoec, of Altrincham, Cheshire.

The system analyses data from such instruments as magnetometers used to record the positions of such buried items. Magnetometers radiate electro-

magnetic signals that induce a magnetic effect in the buried object—assuming it is ferromagnetic. The rays of magnetism are then recorded by the instrument.

Aprotoec says the system—basically a set of programs which can be run on a personal computer—can be especially useful to companies wishing to survey a large area.

Using a set of rules and relationships built up while acquiring data from other underground surveys, the Aprotoec guides the user to conclusion about the item's nature.

The Aprotoec says the system—basically a set of programs which can be run on a personal computer—can be especially useful to companies wishing to survey a large area.

With the aid of the computer, a mass of data from instruments can be converted to a map of the location which provides information about all objects above or below a certain depth or of a particular size. The map can be either stored in a computer memory or printed out on paper.

Discovering the whereabouts of buried objects is a continual headache for companies in the building community. Before they dig foundations or lay new pipes, for instance, such enterprises would like to know about existing objects underground.

Finding out this subterranean information is also a problem for people in other commercial areas, for instance, waste dump operators who would like more knowledge about any items of value that may be buried on their sites.

Others involved in underground surveys include prospectors and amateur treasure hunters, and military engineers who have to find land mines.

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High quality dot matrix printer

MANNESMANN TALLY, Europe's largest maker of computer printers, has launched a versatile machine intended for use with professional personal printers.

The MT290 is a dot matrix character printer which can be switched between fast draft mode printing at 200 characters a second and letter quality mode at 50 cps.

Different fonts can be obtained by plugging in cartridges.

In letter quality mode, the results are hard to tell from ordinary typescript. They are achieved by running a nine wire print head twice over the line, giving an 18x40 character matrix.

Mr David Archard, managing director of Mannesmann Tally, says that in spite of increasing interest by the laser and ink-jet printers, impact types will remain in strong demand for some years simply because they can make several copies in one pass using carbons.

Although laser printers might take 17 per cent of the printer market next year, Mr Archard says it will be five years at least before impact and non-impact sales are equal. His company expects to make announcements about non-impact types before next spring.

In the UK, more on 0734 738711. GEOFREY CHARLISH

US seeks cheap way to destroy missiles

US AEROSPACE and weapons companies are involved in an ambitious effort to build cheap warheads that could be used to destroy intercontinental missiles as they zoom close to the upper stages of the atmosphere on their way to targets.

The effort comes under the jurisdiction of the US Defence Department's Strategic Defence Initiative's "Inertial" programme and concerns two separate programmes, the High Endoatmospheric Interceptor System (Eids) and the Exoatmospheric Reentry Interceptor Subsystem (Eris).

The projects aim to follow on from work in the SDI organisation's Homing Overlay Experiment. In this, in June 1984 military engineers fired a projectile from the ground which succeeded in hitting in space a missile launched from the US Air Force's Vandenberg range in California.

The experiment involved four test shots and cost \$400m. The aim now, says Dr Gerold Yonas, the SDI organisation's chief scientist, is to refine the technologies of interception to bring down costs.

While Eids is aimed at producing weapons that can destroy warheads just inside the atmosphere, Pentagon planners want Eris to result in a device that operates in space, before the target warhead re-enters the atmosphere in the final stages of its journey.

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PETER MARSH

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Perhaps the bravest man I ever knew...

and now, he cannot bear to turn a corner

Sixty-four Sergeant 'Tiny' Gitt's DCM, was perhaps the bravest man his Colonel ever knew. But now, after serving service in Aden, after being booby-trapped and ambushed in Northern Ireland, Sergeant 'Tiny' cannot bear to turn a corner. For fear of what is on the other side.

It is the bravest men and women from the Services that suffer most from mental illness. They are not alone, each one of them, to give more, much more, than they could in the service of our Country.

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These men and women have given their minds to their Country. If we are to help them, we must help them. Do please help us with a donation, and with a legacy too, perhaps. The debt is owned by all of us.

"They've given more than they could—please give as much as you can."

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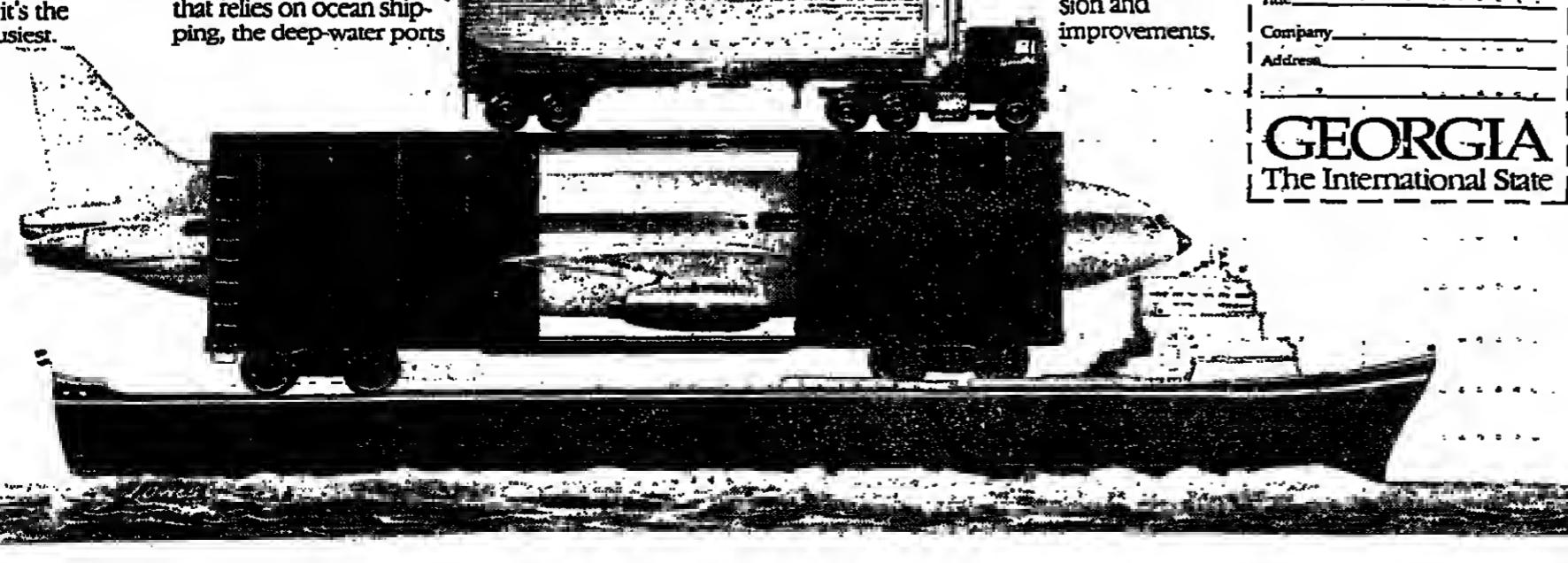
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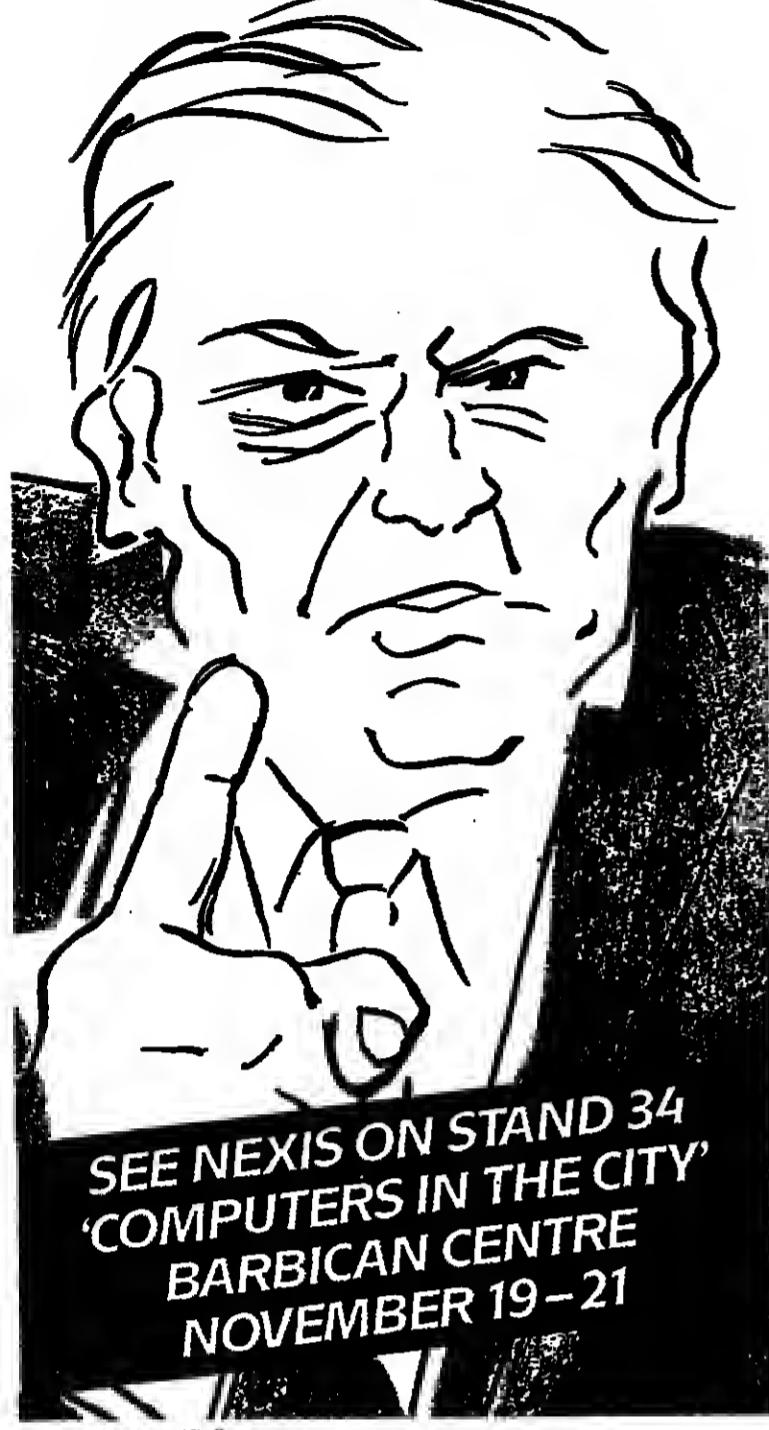
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Financial Times Tuesday November 19 1985

US-SOVIET SPACE PROJECTS

Obstacles and opportunities

By Peter Marsh



The US space shuttle lifts off from Cape Canaveral

SPACE officials in the US and Soviet Union are forming tentative links that could lead to a joint venture in civilian space activities — perhaps a hook-up between manned spacecraft in orbit — by the end of the 1980s.

Observers are speculating that this week's meeting in Geneva between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, could touch on civilian space projects. Much depends, however, on the cordiality or otherwise of discussions in other areas, particularly the US's controversial Strategic Defence Initiative ("Star Wars").

A delegation of Congressmen and officials from the National Aeronautics and Space Administration (Nasa) visited Moscow last month for broad discussions with representatives of the Soviet Academy of Sciences on space collaboration.

Mr Jesse Moore, Nasa's associate administrator for space flight and member of the delegation, said last week that the space agency was keen to set up formal working groups with the Soviet Union to study options on joint space projects.

"The prospects (for collaboration) are not glowingly bright but there is room for further dialogue," said Mr Moore, who is in charge of Nasa's fleet of four space shuttles.

At the top of the list for possible projects is a joint exercise involving a space shuttle and the Soviet Salyut-7 space station, which has been in orbit since April 1982 and which currently has three cosmonauts on board.

Under one scheme, already presented by President Reagan, the US and Soviet craft could dock in space to simulate the rescue of one crew by the other — something that could happen should either the Salyut or a shuttle encounter an emergency.

Also the subject of debate is a visionary plan for a joint manned visit to Mars around the year 2000. Although details of how such a trip could take place are sketchy, the voyage would probably gain wide public support because of ambitions of the goal.

Talk of collaborative civilian space projects is, however, inevitably bound up with Star Wars. While the US presents

this as a research programme aimed simply at defining whether a space-based defence against nuclear missiles is feasible, the Soviet Union sees the project as escalating military activities in space.

According to the Soviet Union, Star Wars is the biggest impediment to any joint ventures between the superpowers in civilian space activities. This view is rejected by the US administration, which points to Moscow's own big and generally unpublicised programme of anti-missile research.

Discussion over space projects cannot avoid the fact that three-quarters of the 3,000 or so satellites (the great majority of them belonging to the US or the Soviet Union) launched since the first Sputnik in 1957 have had military applications.

In the US, the \$8bn annual budget of Nasa, a civilian body, is dwarfed by the \$12bn that the Pentagon spends each year on space activities. Analysts estimate that 70 per cent of the Soviet Union's estimated \$23bn annual spending on space goes on military projects.

While the two countries are normally depicted as rivals in space, a few significant exercises in collaboration have occurred. Between 1972 and

1982, they had a formal agreement covering space activities. It ended in the cool political climate between the two countries following the invasion of Afghanistan in 1979.

The most visible result of the agreement was the docking in space in 1975 between a US Apollo vehicle and a Soyuz craft. Amid a welter of publicity, three Americans and two Soviet citizens shook hands and exchanged wisecracks.

The event did little, however, to influence future space projects. The rendezvous required special docking systems developed at great cost to make the two craft compatible. Afterwards, Soviet and US engineers want back to their established approaches to docking hardware, ensuring that a future link-up in orbit could not take place without much forethought.

More recently, the two countries have joined forces with Canada and France in an international search-and-rescue system. In this, Soviet and US satellites automatically relay signals from radio beacons in stricken aeroplanes and ships, so bringing rescuers quickly to the scene of an accident.

The US and the Soviet Union collaborate to some degree in unmanned missions. Next

March, Soviet spacecraft encountering Halley's Comet will relay information to western ground-control stations to help US, European and Japanese vehicles navigate closer to the heavenly body. The two superpowers have also tentatively discussed a joint lunar mission for the late 1990s or early 1990s.

Individual Soviet and American space scientists continue in the absence of governmental agreements to exchange information for studies on the results of biological studies in space and the effects of long-term weightlessness on spacefarers.

In this area, the US probably has more to learn from the Soviet Union than the other way around. While the longest of the US's 22 shuttle flights to date has lasted 10 days, the Soviet Union has kept cosmonauts in orbit aboard its series of space stations for up to seven months at a time.

The US is keen to learn more about long-term effects of space flight for its plan to build in the 1990s a permanent orbiting station in which people will live for periods up to three months.

Next: how the Soviet and US manned space programmes could complement each other.

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Financial Times Tuesday November 19 1985

PAPER AND PULP



Why Wiggins Teape chose to invest in Portugal

BY TONY JACKSON

IN AUGUST of this year, the paper maker Wiggins Teape signed a major deal which seems to run clear counter to its most established traditions. The group, one of the biggest and most successful paper makers in Europe, has built its reputation on being specialised. It has devoted endless skill and ingenuity to seeking out niches in the paper market, out of the way of the massive firepower of the integrated pulp and paper mills of Sweden and Finland. But in August it took a plunge into the world of bulk paper making.

The deal involves taking a 48 per cent stake in a new \$300m pulp mill in Portugal, near the coastal town of Figueira da Foz. Wiggins Teape is committed to investing in a further investment of up to \$200m, which will add a paper machine to the mill and make it the world's biggest — perhaps only — integrated producer of paper from eucalyptus wood.

There is more to Figueira da Foz than meets the eye. As a seaside resort of modest proportions, it does brisk business with Spanish holiday-makers from the landlocked area of Madrid. But it is also becoming a centre for the industry now second only to tourism as Portugal's chief source of foreign earnings — production of eucalyptus-based pulp and paper.

The mill, in which Wiggins Teape has invested, a large enough project by any standards, was built by a recently-formed Portuguese company called Soporcet. The project has an improbable tangled history, and it is clear that the arrival of Wiggins Teape — backed by the financial muscle of its parent, BAT Industries — has been hailed with relief by its Portuguese partners.

The project first took shape in 1973 with the formation of an entrepreneurial company called Celanese. The intention was to build the mill in the Portuguese colony of Angola, using eucalyptus which the Angolan Government was to plant. A large part of the machinery for the mill was duly bought and sent to several European ports for shipment to Africa.

After the 1974 Portuguese revolution, Angola was no longer a colony. Struck with a great deal of machinery lying in expensive storage around

Europe, the promoters started a four-year odyssey, peddling the project around the world. Negotiations got to an advanced stage with both Brazil and Venezuela before falling through. Finally, the promoters fell back on Portugal as a home for the mill.

Why was Portugal not considered in the first place? Luis Deslandes, the present chairman of Soporcet — not then involved — explains: "It was a question of the supposed wood supply in Portugal at the time. It was believed that there was a big enough pulp industry in the country already."

Before the building of the Soporcet mill, Portugal's eucalyptus pulp industry consisted of just six mills, none of which were directly integrated into paper-making. Four of these belong to the nationalised group Portucel, pulled together from Portuguese private interests after the revolution in 1975. The other two were left private.

The commercial planting of the eucalyptus forests is unpopular with environmentalists. It cannot be denied that the chemical process of pulp manufacture gives off a horrible smell

being foreign-owned — the Celanese mill at Figueira, owned by the Swedish group Billerud, and a small old-established mill at Caina, which with its woodlands forms the sole asset of the London-quoted company Eucalyptus Pulp Mills.

There is, even today, a degree of hostility in Portugal towards the expansion of the eucalyptus pulp industry. The commercial planting of the eucalyptus forests — and Soporcet aims to have 40,000 hectares planted in the next 10 years — is unpopular with environmentalists. It cannot be denied that the chemical process of pulp manufacture gives off a uniquely horrible smell, even if a modern mill like Figueira does much to contain it.

"It took until 1978-79," says Luis Deslandes, "for the Portuguese Government to give authorisation to build the mill. That had a lot to do with the political situation after the revolution — each time negotiations were making progress, the government would be replaced."

Then there was the problem of the site. The original choice was inland, 50 km from Lisbon, in expensive storage around

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Then there was the problem of the site. The original choice was inland, 50 km from Lisbon, in expensive storage around

the River Tagus. That was thrown out by local opposition — from farmers especially — on environmental grounds. The eventual choice of Figueira had much to do with the fact that local firms were actively keen on the project; they already had 20 years' experience of the advantages and drawbacks of eucalyptus pulp manufacture from the Celbi mill built and owned by Billerud.

The mill's backers still had financial details to sort out. Money had initially come from the now nationalised Portuguese bank, but there was a clear feeling that since a large nationalised pulp concern, Soporcet — already existed — should eventually return to the private sector with help from a partner.

"Wiggins Teape was our target from the beginning," Mr Deslandes says. "Portugal had a good, well-established pulp industry, but our lack of experience in paper-making and marketing called for co-operation with an international paper group.

Even after making contact with Wiggins Teape, getting official approval was a slow process. There is, even today, a degree of hostility in Portugal towards the expansion of the eucalyptus pulp industry. The commercial planting of the eucalyptus forests — and Soporcet aims to have 40,000 hectares planted in the next 10 years — is unpopular with environmentalists. It cannot be denied that the chemical process of pulp manufacture gives off a uniquely horrible smell, even if a modern mill like Figueira does much to contain it.

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100 per cent eucalyptus pulp." Not merely good, either; eucalyptus pulp is now increasingly used on grounds not only of cheapness, but on premium quality.

In Portugal's Mediterranean climate, the same trees grow at least three times as fast. The eucalyptus, though, grows three times faster again — just 10 years from planting to felling. In the forest products industry worldwide — in the US as well as in Europe — there is a general move southwards to take advantage of sub-tropical growth rates. In the case of Billerud's mill at Figueira, it was remarkably (and typically) foresighted for a Swedish company to make the same move 20 years ago.

The real impasse for eucalyptus, though, came in the mid-1970s, when BAT's Brazilian associate Souza Cruz, traditionally a cigarette manufacturer, diversified into eucalyptus pulp.

At around the same time, techniques of pulp making were making rapid headway. Unlike pine, eucalyptus is a short fibre wood. The old sulphite chemical process of pulp manufacture had the effect of breaking the fibres down further, so that eucalyptus pulp could normally be used in an mill in long fibre-based paper, rather than as a base material in its own right.

Then came the sulphate process, which left the fibres intact. "It was the Brazilians," says Wiggins Teape chairman John Worlidge, "who proved that good paper could be made from eucalyptus pulp. Of the seven eucalyptus mills which Portugal possesses, the new Soporcet one is the biggest by a clear margin. It is also, says Mr Deslandes, with every appearance of conviction, the best.

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we have only 450 people on the payroll. With the possible exception of the Souza Cruz mill in Brazil, I'm pretty sure we're the lowest cost mill in the world."



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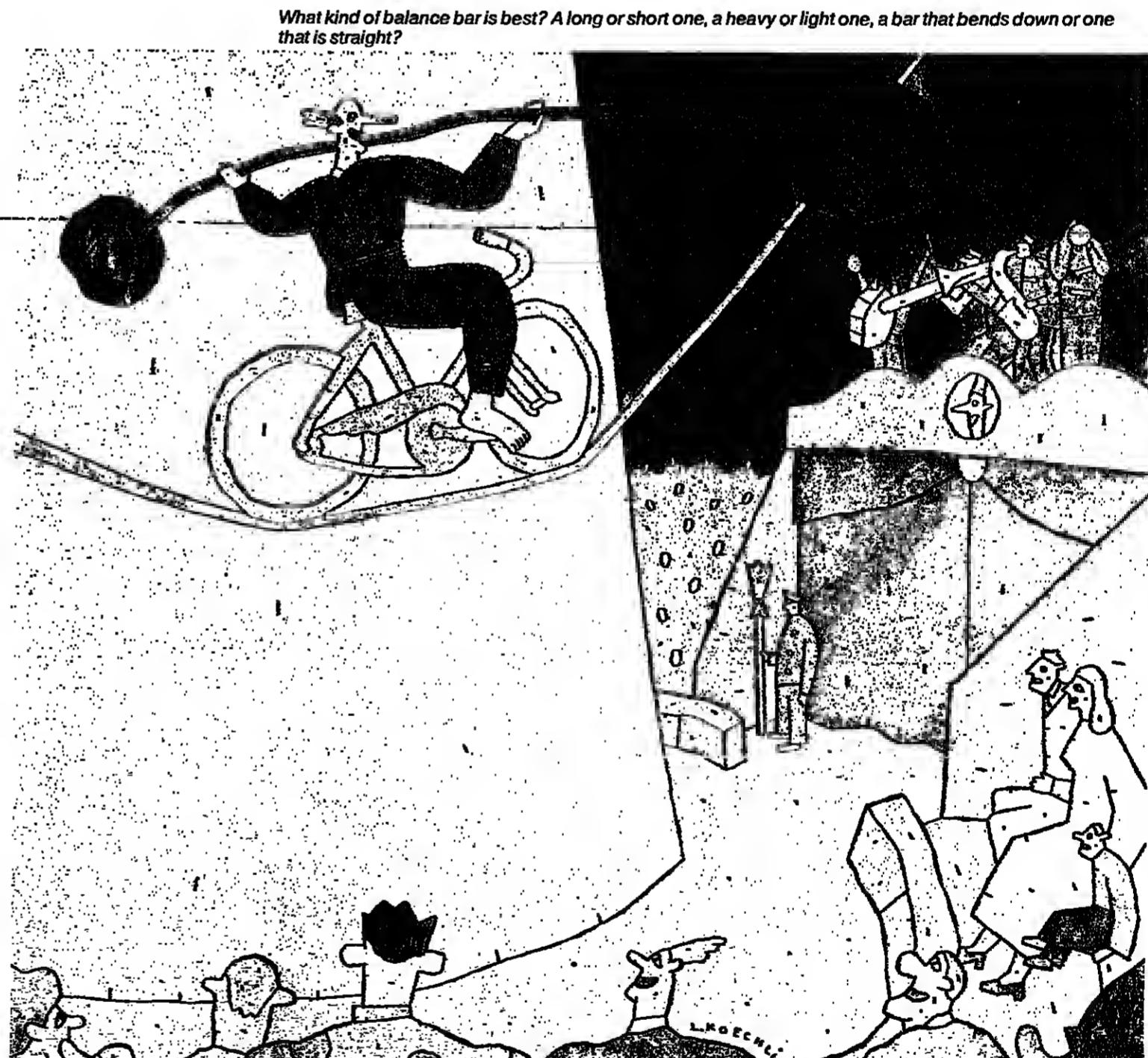
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UK NEWS

Mercury link might test BT's supply policies

BY GUY DE JONQUIERES

BRITISH TELECOM (BT) has given warning that the terms in which it will be required to connect its network with that of Mercury will make it harder for it to support UK telecommunications equipment manufacturers.

Sir George Jefferson, BT's chairman, said that Mercury had a competitive advantage over BT because it was not expected to buy predominantly British-made equipment.

Mercury could also use the latest technology in its network, which is due to start operating next year. But BT had a much older telephone system that had suffered from years of inadequate investment, largely because of earlier government curbs on spending.

Sir George said BT did not plan to challenge in court last month's ruling by the Office of Telecommunications (Oftec), which fixed the terms on which the BT and Mercury networks would be interconnected.

But he said Oftec was "wise" to have allowed for a review of the ruling after two years. "If because of competition and new technology we are seriously undercut in the market, the results could be very serious," he said.

Sir George said the ruling would also make it more difficult for BT to

implement gradually its policy of "rebalancing" tariffs. This involves raising prices for unprofitable residential services faster than for profitable business traffic.

He did not expect BT to start feeling the impact of competition from Mercury for at least a year. But he said: "It would be less honest if

Tough test to come, Page 18

However, he said that BT's obligation to support the UK industry had limited its ability to adjust to competition from Mercury. Without that responsibility, BT could have shared out contracts for the modernisation of its network between suppliers around the world.

He said some parts of the UK supplier industry were trying very hard. In spite of recent delivery delays, System X, the British digital public exchange, was equal in quality to any of its international rivals.

"It would be wrong to say that Britain does not have adequate capability. The problem is that our industry must compete on a world market scale," he said. "If we at BT are going to produce a world-class service, we need world-class suppliers."

Tough test to come, Page 18

IT WILL FIT YOUR POCKET

UK NEWS

Thatcher attacks critics of Anglo-Irish accord

BY MARGARET VAN HATTEM



Mrs Thatcher: 'Ulster's best guarantee yet'

MRS MARGARET THATCHER, the Prime Minister, yesterday roundly attacked critics of the new Anglo-Irish agreement. She told them it represented "the best guarantee they had ever had" and accused them of scaremongering.

The agreement, signed last Friday, was warmly welcomed at Westminster by MPs on both sides of the House of Commons, where the response to Mrs Thatcher's statement showed the growing isolation of the Ulster Unionists.

Only a handful of right-wing Tory backbenchers rose to support the 14 Unionist MPs present. The more experienced Unionist MPs – such as Mr James Moloney, the Rev Ian Paisley and Mr Enoch Powell – remained calm in their denunciations; but others became increasingly emotional. Some MPs on both sides began to jeer and laugh openly at their anger, while others later expressed their distaste for what they described as "histories".

Later, at a meeting of the Tory backbench committee on Northern Ireland, Sir Geoffrey Howe, Foreign Secretary, and Mr Tim King, Northern Ireland Secretary, were closely questioned on the constitutional implications of the agreement, which gives the Irish Government a formal role in Northern Ireland policy-making.

Employers want end to unearned rises

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE CONFEDERATION of British Industry (CBI), the UK employers' organisation, yesterday called for a revolution in thinking within industry to stop "the unearned annual rise in pay".

The CBI meeting in Harrogate yesterday for its annual conference voted overwhelmingly, however, against a resolution calling for more employment laws.

Dr James McFarlane, director general of the Engineering Employers' Federation, said that "changes in employment law will be from now on a diminishing return from increased investment in legislation."

Sir Terence Beckett, director general of the CBI, said that to stop unearned pay increases would improve competitiveness. "If we are sincere in our compassion for the unemployed, the unearned annual increases in pay must be stopped. It's a kindness to the unemployed and those who might join their ranks in the future."

Next year, with inflation forecast to come down to 3.5 per cent, was a "unique window of opportunity to get pay settlements down... if we take the opportunity, it may not come again for a long time," he said.

Sir Terence's appeal was received with some scepticism by several of the delegates who have already made settlements in the 5 to 7 per cent range. However, both Sir Terence and Sir James Clemmons, the CBI president, are publicly optimistic, that the pay message already circulated among the members is getting through.

Many of the debates yesterday were interwoven with the theme of responsibility by business both for its own success and for the creation of jobs for the unemployed. A survey taken for the CBI by Gallup shows that both employers and employees are willing to make sacrifices on behalf of the unemployed.

Conference reports, Page 14; Editorial comment, Page 18

S&N Breweries in 'final' £125m bid for Matthew Brown

BY LIONEL BARBER

SCOTTISH & Newcastle Breweries yesterday declared a final £125m offer for Matthew Brown, the Blackburn-based brewer in north-west England, raising its all-share or cash terms by around £23m.

Matthew Brown, which has sought an eight-month battle for independence, said last night that the revised offer was still "unacceptable".

The Unionist Party leaders, Mr Moloney and Mr Paisley, have announced that all 15 Unionist MPs will resign their seats before Christmas if Parliament endorses the agreement.

There are signs of unease within their parties over the wisdom of this tactic. Even Mr Powell yesterday indicated that, while he would loyalty support his party leader in this tactic, it was not one of his choosing. Mr Powell is among those MPs pressing for a High Court hearing on the issue and appears to have more faith in this tactic.

Mr Moloney yesterday urged Mrs Thatcher to delay next week's debate on the agreement, pending the outcome of the judicial review which his party was seeking and on which they expected an initial reply within 48 hours.

The Government has been advised that such an appeal is likely to be turned down by the courts

cash alternative of 540p a share. Brown closed at 540p up 2p.

Mr Alistair Ranking, S&N's chief executive, said that after extensive public debate the time had come to make a final proposal to Matthew Brown shareholders. "The terms are extremely generous and final," he said.

Before the reference to the commission, S&N's offer was worth 43p per Matthew Brown share. This compared with a value of £28m when the first bid was launched in March, though S&N subsequently added 40p in cash to its offer of 14 of its own shares for every five Matthew Brown shares.

Schroders, advising Matthew Brown, said that shareholders accepting the cash alternative could suffer a heavy tax bill. The Monopolies Commission report, which suggested that regional brewers should be protected from further takeover bids from big national brewers, gave Matthew Brown a security value, Schroders added.

Although S&N now holds about 17 per cent of Matthew Brown, two key shareholders, Britannia Assurance, with 9.5 per cent, and Whitbread Investment, with 9 per cent, have declared a preference for staying with the company.

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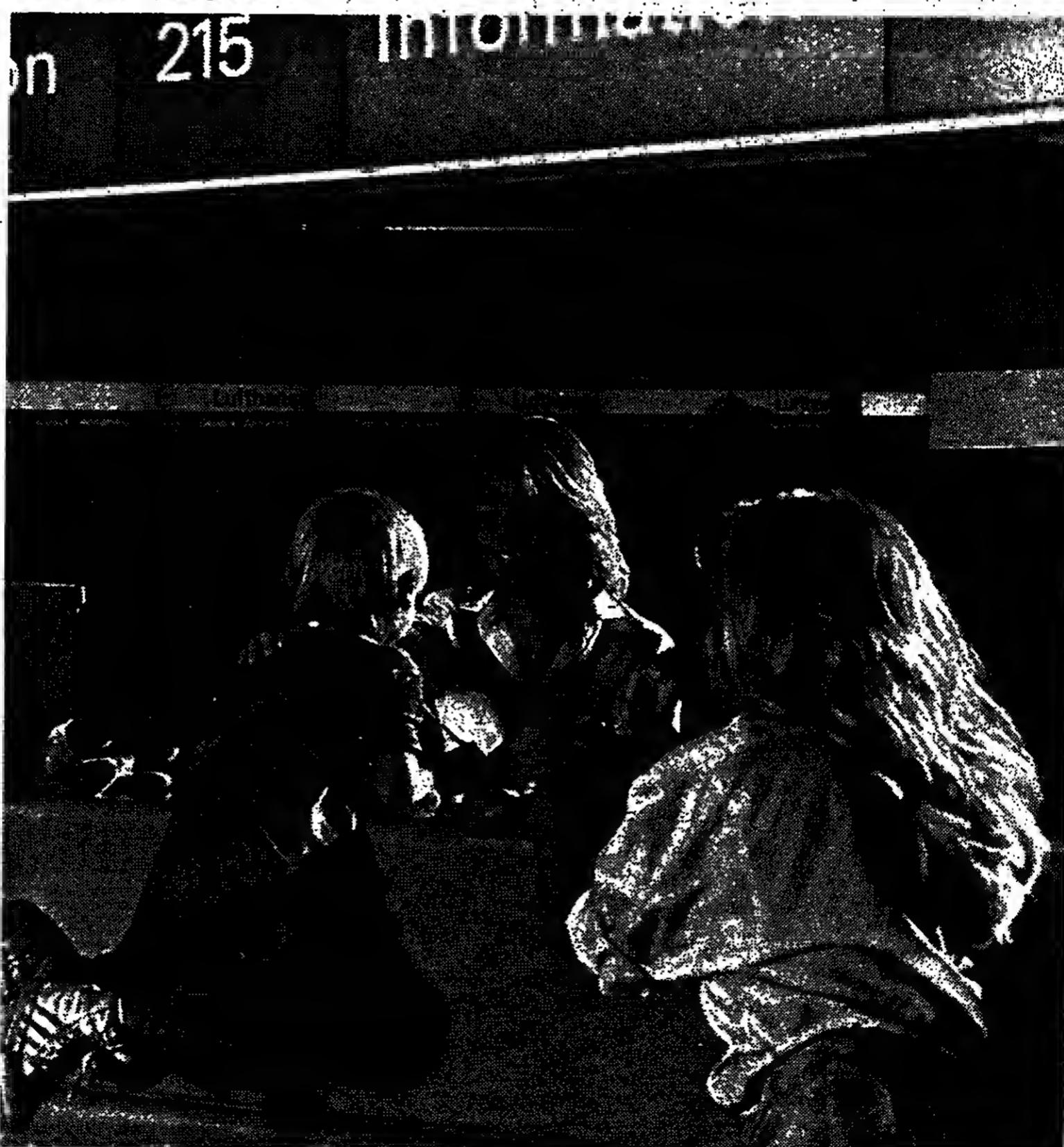
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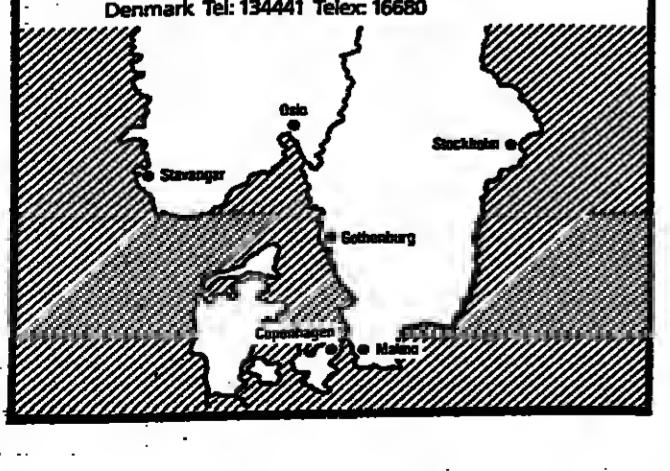
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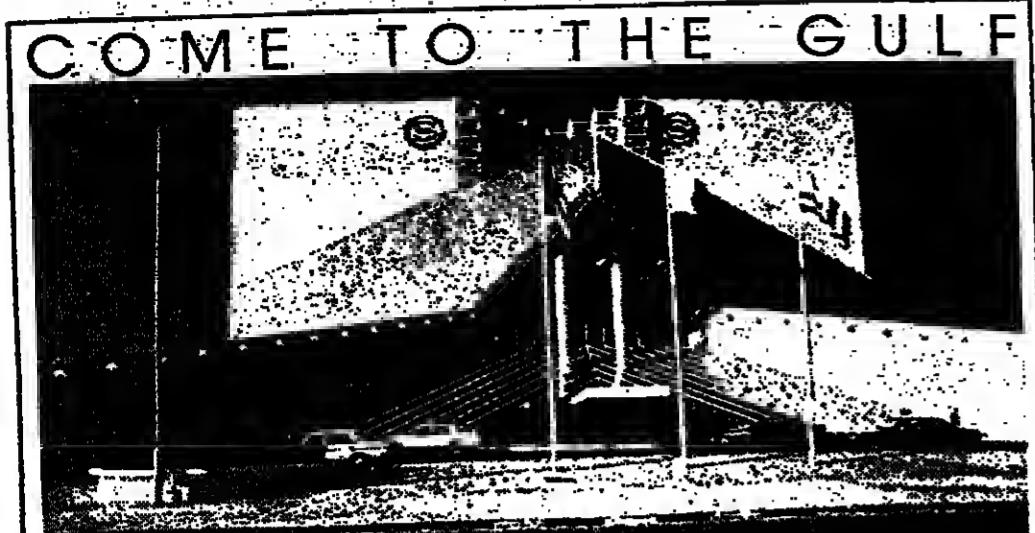
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Third-quarter rise of 0.5% in UK output

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

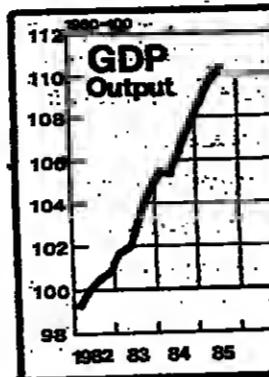
BRITAIN'S OUTPUT rose by around 0.5 per cent in the three months to September, putting it about 3.5 per cent above the level of a year earlier, according to official figures released yesterday.

The Central Statistical Office (CSO) said that its preliminary estimate on the output measure of gross domestic product (GDP) in the third quarter showed that a 0.5 per cent fall in industrial production was offset by 1 per cent rise in the output of service industries.

The figures were seen in Whitehall as in line with the Government's forecast that the economy will grow by around 3.5 per cent this year, and by a further 3 per cent in 1986.

Lower industrial production during the three-month period was largely a reflection of a summer lull in North Sea oil output and of a relatively flat performance by manufacturing industry. This was only partly offset by a further rebound in coal production following the end of the miners' strike.

There is some expectation among Government statisticians that the manufacturing figures will be revised upwards as new data become available over coming months. The



Treasury, however, expects manufacturing output to grow less fast than the economy as a whole this year and next, with its forecast suggesting a 2.5 per cent rise in both years.

Yesterday's statistics show that if the impact of the coal strike is excluded, output rose by about 0.25 per cent in the three months to September, to stand 2.25 per cent above a year earlier. This is below the 3 per cent rate that the Treasury anticipates for 1985 after adjustment for the pit dispute.

Buy-outs estimated at £590m this year

BY WILLIAM DAWKINS

BRITISH managers have spent three times as much money on buying out their own companies so far this year than in the whole of 1984, according to a survey by *Acquisitions Monthly* magazine.

The survey lists 101 management buy-outs worth a total of £590m so far, as against 115 worth £190m in 1984.

More than 80 per cent of the 1985 figure is accounted for by 10 deals.

These estimates only include the buy-outs that have been publicly reported. The actual figure is certain to be higher, says the survey. Its estimates do not include large companies disposing of small peripheral subsidiaries, where details do not have to be disclosed, nor buy-outs of small independent companies.

Industry sources suggest that the total number of management buy-outs in 1984 could be anything between 170 and 200, says the survey.

Accountants Peat Marwick last week said that an estimated £715m worth of management buy-outs had been completed in the UK so far this year and that the 1985 total could reach £1bn.

Employers press for government role in helping industry

BY LISA WOOD

The Confederation of British Industry (CBI), the employer's organisation, has urged government to join with industry in developing a strategic framework for strengthening the worldwide competitiveness of British industry.

There was some confusion among delegates at the CBI annual conference about the exact role that government should play. Sir James Clemmson, the CBI president, concluded that there needed to be a clearer definition of the conference's resolution.

The conference, however, voted by a majority of about six to one on a definition of government's role as presented by Lord Pennock (Morgan Grenfell). He said government should create the right climate with, for example, lower interest rates, more capital investment and deregulation. "I thought we have always said we would create the competition and government would create the climate," said Lord Pennock.

Mr Alan O'Hea (Colt International) was the most vigorous critic of the motion. He said that it sounded like a call for a national plan put forward in the mid-1960s by a Labour Government. "We can look after our own competitiveness without asking government to do it for us," he said.

Mr John Raisman (British Telecom) said, "The problems of British industry lie in our own hands." But he did not discount the role of government or the EEC dimension. He called for the dismantling of physical and technical barriers to the movement of goods, services and people in the EEC.

He made what he called his annual plea for Britain to join fully in the financial community, to a strategy for manufacturing industry.

European Monetary System. He said that, contrary to what the Prime Minister believed, Britain would be better equipped to stand the buffeting of sterling within the EMS.

Mr Colin Perry, chairman of the CBI West Midlands region and chairman and managing director of the Birmingham Mint, spoke of the trade deficit in manufacturing

CBI annual conference

goods and compared the situation to 20 years ago, when the UK had a substantial trade surplus in manufactured goods.

A strategy was needed to reverse the long-established trend, he said. Industry had to take the lead and correct its failure to come up with new products. "Self-help is absolutely crucial to these matters," he said.

"But of course we also need the right operating environment. It is essential to get the commitment of government, and also of the financial community, to a strategy for manufacturing industry."

The Government, he said, had been slow to recognise the need for additional policies after it tackled inflation and union legislation. In particular, the Chancellor's dismissal of last month's House of Lords report on overseas trade seems ill-considered and hasty, as well as inaccurate, in describing it simply as a plea for subsidies, when it was nothing of the kind.

Campaign will urge improved marketing

BY ALAN PIKE

A NATIONAL campaign to encourage chief executives to improve the marketing performance of their companies was launched at the CBI conference yesterday.

During next year - Industry Year - the CBI will try to persuade chief executives of all its member organisations to attend seminars on marketing issues.

Mr Ralph Halpern, chairman of the Burton Group and of the CBI's marketing and consumer affairs committee, said the initiative was designed to show companies how staff, customers and society could become involved in the successful marketing of products.

"Today the CBI begins a drive to change not only industry's attitudes but British society's attitudes," he said.

Messages from Mrs Margaret Thatcher, the Prime Minister and Mr Neil Kinnock, leader of the Labour opposition, to support the initiative were given to delegates before they adopted a resolution setting up the campaign.

Sir William Barlow of BICC supported the move as chairman of the Design Council. The most important reason why British people bought so many imported products, he said, was their standard of design. Yet many of these foreign products were the work of British designers.

By contrast, two thirds of the products submitted to the Design Council for approval did not meet the standard required while some were appalling, he said.

In another resolution, the conference gave its enthusiastic support for the concept of Industry Year, with delegates stressing the importance of one of its main objectives - improving links between industry and education.

Mr David Nixon, chairman of Scottish and Newcastle Breweries and deputy president of the CBI, said the aim of Industry Year must be to achieve a permanent change in the understanding and values which Britain placed on industry.

For too long, the education system had positively steered the most able young people away from industry, he said. Jobs in the growth creating sector ranked behind those involving caring for people. Industry was at fault itself for failing to get the message across that Britain's skills could be paid only by British business.

Call to retrain managers

A MOTION calling upon companies to take steps to ensure managers improved their professionalism was overwhelmingly supported by the CBI conference.

Sir Edwin Nixon (IBM UK), who introduced the motion, gave a six-point plan to improve Britain's industrial performance.

The plan included greater understanding of international competi-

tiveness; accurate marketing, the creation of an environment in which the entrepreneur was respected; the harnessing of the opportunities provided by new technology and good management.

"We need to retrain all our technical professional managers throughout their careers," said Sir Edwin.

There were good managers in Britain, he conceded, but "we just need more of them."

Bank claims damages in Romanian trade deal

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

"SUBSTANTIAL" DAMAGES are being claimed against the Romanian Ministry of Foreign Trade by Bank of Credit and Commerce International, the High Court in London was told yesterday.

The claim arises from an agree-

ment in November, 1980, relating to two companies importing Romanian Aro and Dacia motor vehicles into the UK.

Mr Peter Cresswell, QC, for the bank, told Mr Justice Skinner that the odd feature of the case was that the bank had already obtained judgment against two of the Romanian ministry's co-signatories of the agreement, Auto Dacia - Audec - and Auto Import and Export - Aexim - both Romanian state trading organisations, in default of either of them putting in a defence to the bank's claim.

He said the Romanian ministry, "who are plainly very closely associated with, and probably control, Audec and Aexim," resisted the claim.

In addition to seeking an order that the ministry was liable to pay damages, the bank asked the court to assess the damages due from Audec and Aexim, Mr Cresswell said.

He said that Aro Imports, an Isle of Man Company, and its wholly owned English subsidiary, Tudor Vehicle Importers UK, import-

Romanian cars into the UK. Both had been granted substantial overdraft and credit facilities by Bank of Credit and Commerce International.

In 1979 Aro and Tudor had got into serious financial difficulties. In November, 1980, the bank agreed to maintain the facilities, for a limited period, within which the Romanian parties to the agreement were to take shares in Aro and Tudor and guarantee those companies' liabilities to the extent of their gross assets at January 15 1981.

The bank had not been prepared to continue the facilities to Aro and Tudor unless the Romanians stepped in. The Romanians, Aro and Tudor had been concerned that the facilities should continue, because otherwise Tudor and Aro would go into liquidation and Romania would lose its car distribution network in the UK, said Mr Cresswell.

The bank alleged that the ministry had broken the agreement by not taking up shares in the two companies "and not giving the guaranteed."

The ministry contended that the agreement only gave it an option to take shares and imposed no obligation to do so, and that the obligation to give the guarantee was contingent upon exercising that option.

The hearing continues.

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UK NEWS

Space work 'lays base for new industries'

ENGINEERS WORKING on the space bases of the 1990s could play a similar role to the alchemists of medieval times in laying the basis for industries, Mr John Egan, director of business planning at Coopers & Lybrand, the accountants, said yesterday.

Speaking to a Financial Times conference in London on space commercialisation, Mr Egan said that a number of big pharmaceuticals and materials companies were already indicating interest in using the facilities of the \$12bn manned space station, due to be built by a US-led international consortium by the mid-1990s.

Mr Egan, an adviser to the US National Aeronautics and Space Administration (Nasa) on commercial ventures in the heavens, said some of the more mystical alchemists of old produced very little.

Others, however, in seeking new ways to produce gold and other metals, invented processes that formed the base for modern science.

According to Mr Egan, the low gravity in an orbiting space station could be useful in turning out new kinds of low-defect crystals, for instance semiconductors such as gallium arsenide, and novel proteins and other organic materials for the drug industry.

Although transport and processing costs in orbiting factories would be high, the greater yield and the possibility of making substances

difficult to obtain on Earth could provide substantial profits.

General Motors, John Deere, Bethlehem Steel, Alcoa, 3M and Ford were all interested in material experiments aboard space shuttles, possibly as a prelude to missions on the space stations.

Space projects chief named

Mr Roy Gibson, a former director general of the European Space Agency, is to become Britain's new head of space projects. The Government will officially confirm him in his position as director general of the British National Space Centre tomorrow.

Mr Geoffrey Pattle, Minister for Information Technology, will

The station is due to be built with a set of elements provided by space shuttle flights in the early 1990s. Mr Culbertson said Nasa had been impressed by the response of Western Europe, Japan and Canada to the US invitation to join the project.

He said Nasa hoped to agree

General Technology Systems, a UK space consultancy, said governments and other bodies involved in space activities would have to pay more attention to making industry aware of the benefits of extra-terrestrial projects.

Remote-sensing satellites that

Trade and Industry Department, said activities in space would have profound social and political effects.

He said the British Government put great emphasis on space activities, as was demonstrated in its decision to set up a UK national space centre. Lord Lucas added that ideas about processing materials in zero gravity were still at the "caveman" stage, but companies were gradually learning what was possible.

Mr S.R. Damney, senior consultant at General Technology Systems, said commercial organisations were setting up activities to provide finance and administrative support for space ventures. Examples included the offering of insurance services for satellite owners by organisations such as Lloyd's of London and the setting up in West Germany of Intospace, a consortium of companies attempting to bring about space ventures using orbiting platforms.

Mr Richard Colino, director general of Intelsat, said that satellite communication was one of the fastest growing industries in history. Since 1965 Intelsat had increased the amount of telecommunications traffic carried by a satellite by more than 500-fold. The organisation had more than 1,700 communications pathways and linked more than 170 countries. The cost of Intelsat services had dropped by a factor of 20 times since 1965, Mr Colino added.

Earlier in opening the conference, Lord Lucas of Chilworth, Parliamentary Under Secretary at the

FINANCIAL TIMES CONFERENCE
Space: the commercial benefits

Meanwhile, according to Mr Egan, drug companies such as Upjohn, Schering-Plough, and Burroughs-Wellcome were keen to participate in experiments in areas such as biotechnology in space.

Mr Philip Culbertson, associate administrator for the Office of the Space Station at Nasa, said the orbiting base would attempt to combine many functions. It would provide facilities of an orbiting laboratory, a repair depot for satellites, an operational factory and an assembly site for large space structures, as well as an observation platform to look at the Earth and other parts of the solar system.

Dr Geoffrey Pattle, chairman of

take pictures of the Earth for instance, could help a range of organisations involved in areas as diverse as transport, water management, agriculture, and communications.

Dr George Van Reeth, director of administration for ESA, said the Paris-based agency had developed a broad programme of activities in areas such as telecommunications satellites, remote sensing and the Ariane satellite launcher, and it planned to collaborate with the US on its space station project.

Earlier in opening the conference, Lord Lucas of Chilworth, Parliamentary Under Secretary at the

UK market leader.

Overcapacity in the feed industry is estimated at up to 30 per cent, or 3m tonnes, as a result of the sharp drop in sales that followed the EEC-imposed cut in milk output. Mr Price believes the market will continue to shrink. "In the longer term, we must plan on the basis of a much lower market volume," he says. "We cannot ignore the threat of further quotas or some other form of restriction on milk output. There is still 15 per cent oversupply of milk products... Unfortunately, one has got to become a smaller company in a smaller industry."

Like the other three big companies in the feed business - Dalgety, Bibby and Pauls - BOCM Silcock took swift steps to cut its costs in the wake of quotas. It shut two older, inefficient mills and is replacing them with smaller, more mechanised operations, as well as decentralising its management.

Trusts call for relaxation on advertising

By George Grahame

INVESTMENT TRUSTS have called for a relaxation of the rules on how they may advertise their shares to the public.

Sir Raymond Cazalet, chairman of the Association of Investment Trust Companies, said that the restrictions imposed by the Prevention of Fraud (Investments) Act put investment trusts at a disadvantage to unit trusts, building societies and life assurance companies.

He believed that these restrictions should be relaxed in the bill, due to be published in December, which will replace much of this act.

Investment trusts, in common with other companies, are for the most part restricted to advertising their results. Some trusts, however, have advertised their results throughout the year, while others have done so only at the time that the results are published.

The White Paper (policy document) on financial services, which outlines the provisions of the December bill, exempts investment trust companies from some of the bill's regulatory provisions. Trust managers with other fund management activities, however, will be included in the regulatory framework.

Animal feed market expected to shrink

By Andrew Gowers

THE ANIMAL feed industry, which was severely affected last year by the introduction of milk production quotas, can expect a long period of restructuring.

That is the message of a previously unpublished paper by Mr Alan Price, chairman of BOCM Silcock, the Unilever subsidiary and

UK market leader.

Overcapacity in the feed industry is estimated at up to 30 per cent, or 3m tonnes, as a result of the sharp drop in sales that followed the EEC-imposed cut in milk output.

Mr Price believes the market will

continue to shrink. "In the longer term, we must plan

Short Brothers makes first profit for 11 years

By Our Belfast Correspondent

SHORT BROTHERS, the state-owned Belfast aircraft and missiles manufacturer, has returned to profit for the first time since 1974.

The company, which is a candidate for privatisation, yesterday reported a profit of £323,000 in the year to March 31 compared with a loss of £24m in 1984. Turnover was up 23 per cent at £200m with growth reported in all the company's divisions - aircraft, missiles and aircraft components.

Sir Philip Foreman, chairman and chief executive, said the company had made encouraging progress despite intense competition, especially in the commuter aircraft market. Profit before interest payments was almost doubled at £10.7m.

He said: "That the company turned in an overall profit with a financial structure having such artificially high gearing was no mean

achievement, and it is to be hoped that the Government will undertake a financial reconstruction in the near future."

Aerospace was a high-risk business that should be viewed against long-term objectives. Although the profit for any one year should not be given undue emphasis, company performance in recent years had improved significantly, he said.

Commuter aircraft accounted for more than half the turnover. Sir Philip said 1984-85 saw the introduction of three new aircraft that were in direct competition with Shorts' own aircraft in the 30-seat sector, but the company still won 22 orders for the Shorts 300.

Missile sales amounted to £90.4m and components for important manufacturers such as Boeing, Rolls-Royce and Fokker brought in £32.2m.

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From and after 15th January, 1986, interest on the Bonds will cease to accrue. The Bonds may be converted into shares of Common Stock of the Company at the conversion price (with Bonds taken at their principal amount translated into Japanese Yen at the rate of ¥ 203.25 equals U.S. \$1) of ¥ 276.7 per share of Common Stock. Each bondholder who wishes to convert his Bonds should deposit his Bonds, together with all unmatured coupons, with any of the Conversion Agents being the same as the Paying Agents specified above, accompanied by a notice of conversion (the form of which notice is available from any of the Conversion Agents). SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL BONDS AT THE CLOSE OF BUSINESS ON 15th JANUARY, 1986.

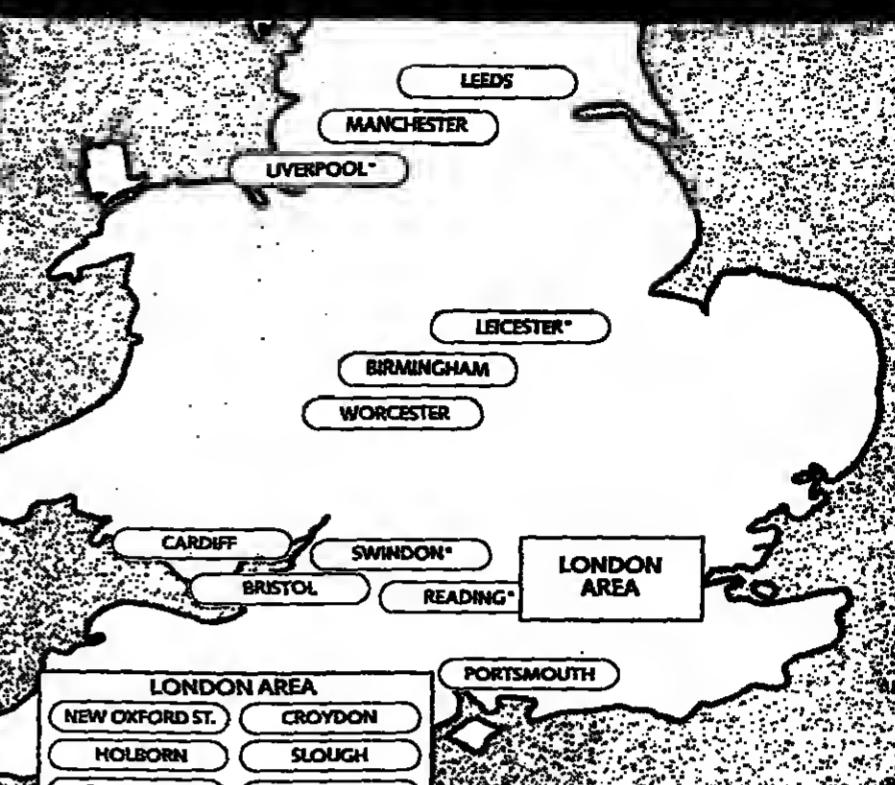
For the information of the bondholders, the average of the daily closing prices of the Shares on the Tokyo Stock Exchange for the 30 consecutive stock exchange trading days, the first of which occurred 45 stock exchange trading days prior to 15th November, 1985 was at least 130 per cent of the Conversion Price in effect on such day. The reported closing price of the Common Stock of the Company on the Tokyo Stock Exchange on 14th November, 1985 was ¥ 339 per share.

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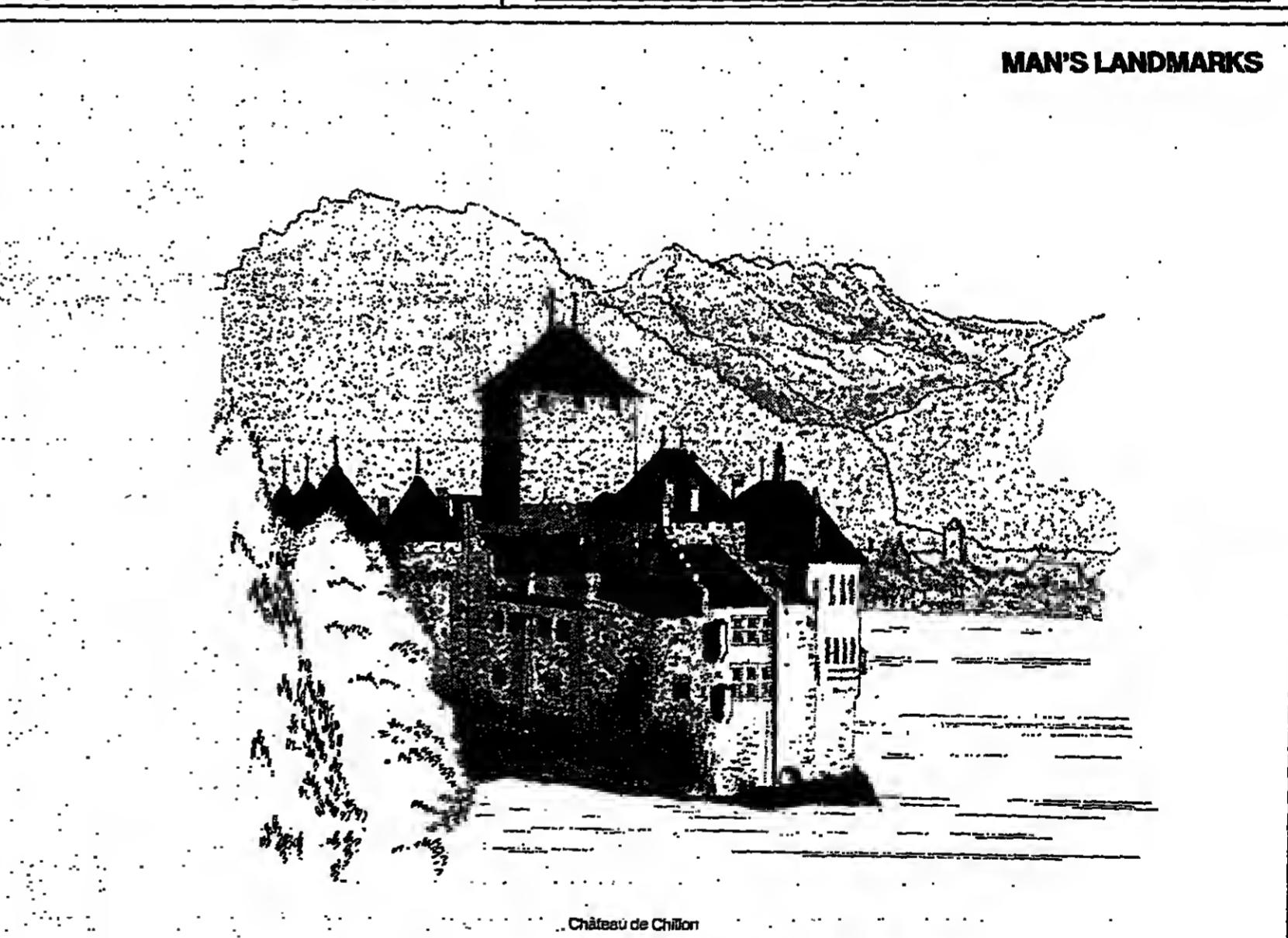
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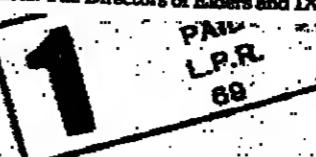
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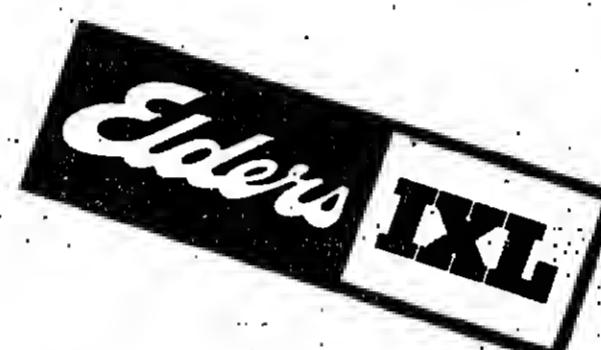
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Allied-Lyons shareholders who have any queries about the Offer document or the forms of acceptance may telephone Elders' Offer Office (0272-298141) between 9 am and 9 pm any day of the week.



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Tuesday November 19 1985

Call from the CBI on pay

SIR TERENCE BECKETT'S strongly worded attack on the "going rate" tradition which still governs British pay settlements was worthwhile and revealing. It would be idle to hope that one speech will change the entrenched habits of a whole generation of managers but at least it may serve to make them think. That would be a start.

The core of the problem is not economic but psychological. The fact that British unit costs are rising faster than those in competing countries is sad but only too familiar; the same statement could be made of almost any year since the second world war, except for the odd intervals when a pay freeze was in force. What is new is that management's excuses for this endless drift have finally run out.

Traditionally, managements have blamed union pressure for the problem; but this will not wash any more. Not only are unions weaker than for many years and militants everywhere in retreat, as Terence pointed out, but the shift in bargaining power is visible in the pay statistics. Pay settlements have not accelerated at all in face of a large and very welcome recovery in profits; yet as every manager knows a healthy cash flow is an almost irresistible challenge to an effective militant.

Depressing statistic

Indeed the virtually constant pace of wage advance, which has been stuck at an annual rate of 7% per cent with almost no monthly variation through three turbulent years, shows above all how completely the process of wage determination has become divorced from costs and pressures elsewhere in the economic system.

The most depressing statistic of all, however, concerns not the actual settlements, but managements' attitudes to them. In a recent industrial poll an overwhelming majority of managers claimed that their own settlements were "about right."

What makes managers so complacent about cutting their own competitive threats? Part of the trouble is the whole series of muddled arguments about fair play and reward from past sacrifice which Sir Terence cannot address. All appear to be grasp.

The criteria for mergers policy

IN THE NEXT few weeks Britain's notoriously pragmatic mergers policy will be subjected to another test. The Office of Fair Trading will decide whether to recommend that the Elders XKL bid for Allied Lyons should be referred to the Monopolies Commission. The Secretary for Trade and Industry, Mr Leon Brittan, then has to accept the recommendation or overrule it. If the Government sticks to the interpretation of mergers policy given by Mr Norman Tebbit, then Trade and Industry Secretary, in July last year (and recently re-stated by Mr Michael Howard, Consumer Affairs Minister), it will rule against a reference and it will be right to do so. But such is the discretion available to ministers that the outcome cannot be taken for granted.

The flexibility of British mergers policy has sometimes been claimed as a virtue. As a former Trade Secretary put it, it can "accommodate any shifts of emphasis that may be needed." Yet the ad hoc approach led to such inconsistency both in decisions to refer and in decisions by the Monopolies Commission itself—that the policy became something of a lightning rod. Mr Tebbit, while refusing to amend the fair trading Act in a way which would bring greater certainty into mergers policy, decided that references to the commission should be made primarily on competition grounds. Although ministers retained their discretionary power, the effect of the change was to give Britain light to most conglomerate mergers (which normally have a neutral effect on competition) and to downplay such questions as the suitability of company A to acquire company B.

Novel feature

Thus, for instance, the Government raised no objection to the bid by the Al Fayed brothers for House of Fraser, the department store group, which in the pre-Tebbit period would probably have been referred. This ruling understandably enraged London,

thin disguises for one of the strongest motivations among British managers: the desire for a peaceful life. This same desire, however, has expressed itself in other ways: a lack of management dynamism and a consequent willingness to accept inadequate returns on existing activity. Managers whose main source of energy is the threat of bankruptcy or takeover are not energised by greater profits and the opportunities they offer but put to sleep. An economy run like this can only drift from crisis to crisis.

The CBI could put this message over with more vigour if its own economic policy reflected Sir Terence's concern for change rather than CBI members' demand for relief from pressure. This endless demand for lower interest rates (and thus a lower exchange rate) are an old lag's demand for just one more chance.

Constant stress

The Chancellor is quite right to resist these demands; his current, and much-changed, stance of a challenging exchange rate with a thinly disguised fiscal relaxation combines the demand carrot with the competitive stick much better than the former approach of demand restraint and monetary ease.

At the same time, a constant stress of current propaganda on low settlements and indeed on the expansion of low-paid jobs may itself prove counter-productive. An enterprise culture demands not that nothing is paid for nothing, as is so often urged, but that actual achievement should be amply rewarded. A low going rate is less inflationary than a high going rate but it is just as stabilising. It is the going rate itself which is the enemy of dynamism.

This is a hard message to preach in Britain. It goes against both an ingrained sense of fair play and a plausible version of labour market economics, in which employers simply buy the skills they need at the going rate. This, like abstraction, is an abstraction. The real world of automation, market power and the discipline of corporate image projected by its advertising campaigns.

According to Mr John Kelley, chairman of the Telecommunications Managers' Association, which represents many large companies, BT's record in meeting routine customer needs falls far short of the glossy hi-tech image projected by its advertising campaigns.

Telephoning Mr Kelley at his office at hotel group Grand Metropole recently lent some point to his complaints. Two attempts inexplicably reached the switchboard of a nearby Rank Xerox plant—“We'll get getting calls for Grand Met,” said the Rank Xerox operator—and a third hit a crossed line.

That Britain's telecommunications policies, and BT's place in them, remain controversial is

hardly surprising after the violent upheavals of the past few years. But it is still unclear whether the industry will doubtless preclude an anniversary party as lavish as the publicity extravaganza which surrounded the share flotation. But Sir George Jefferson, its chairman, is in a mood to celebrate.

Privatisation, he says, has freed its board to run BT as a telephone company rather than as "part of the macroeconomic manipulation of the economy."

We have the opportunity to chart a long-term course without political interference. That could never have been the case as a nationalised industry, whatever the statutes said."

BT's 1.65 shareholders have good reason to be pleased, too. BT increased its pre-tax profits by 30 per cent to £443m in the quarter ended June 30 and has sailed through the crisis of investor confidence which has battered most of the electronics sector this year. Its share price of 183p at yesterday's close is more than 70 per cent above the issue price, calculated on a fully paid basis.

For other interested parties, however, living with BT's newfound freedom has been far less comfortable. Its tougher procurement policies and avowed ambitions to become a world-class competitor in information services and equipment have sent tremors through traditional suppliers such as GEC, Plessey and STC.

Many customers remain to be convinced, too, that what is good for BT and its shareholders is necessarily also good for them. BT's latest tariff increases, ranging as high as 9.4 per cent, were condemned last month by the Telecommunications Users' Association, which has 600 corporate and individual members. Though the rise averaged 3.7 per cent, well within the limits allowed by regulation, the association said it was "a gross abuse of monopoly position" in view of BT's high profits.

It is widely agreed that liberalisation of the UK market since 1981 has spurred improvements in the standard of BT's service and created a get-up-and-go spirit among its senior management. But critics still complain that things are not improving fast enough.

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That Britain's telecommunications policies, and BT's place in them, remain controversial is

that the Government has created a dilemma for itself which requires it to keep choosing between the often opposing interests of its customers and its private shareholders.

Sir George Jefferson dismisses such criticisms as "economic" and political slogans." Yet he also insists that reconciling BT's own development plans with the broader aims of Government policy and the special obligations imposed upon it is a struggle.

The immediate challenge is crystallised in two issues. One is the ruling last month by the Office of Telecommunications (Oftel) on the terms on which BT and Mercury Communications must inter-connect their networks. The other is the Government-ordered inquiry by the Monopolies and Mergers Commission into BT's £180m bid for 51 per cent of Mitel, the troubled Canadian manufacturer of private branch exchanges.

The Oftel ruling, which is widely considered favourable to Mercury, is arguably the most important single step yet to dispute the logic of linking to BT's de facto monopoly over network transmission. It promises to transform Mercury from a struggling newcomer into a vigorous business which,

by some City estimates, will have revenues of up to £600m a year by 1990.

BT does not expect its business to be much affected by the interconnection ruling for at least a year. But Sir George nonetheless complains that the transition is far too abrupt. It will, he says, make it harder for BT to achieve gradually a "re-balancing" of tariffs to reduce cross-subsidies between profitable business traffic and unprofitable residential services. This process is essential to meeting competition.

ments of shareholders with a patriotic mission to help the UK information technology industry.

Britain's main telecommunications manufacturers have had little success so far in enlarging their share of export markets, and the System X digital exchange developed jointly by GEC, Plessey (and, previously STC) has yet to find a sizable overseas market. BT's complaints about System X delivery delays and its decision last spring to end its contract with Sweden's L M Ericsson have

says that a major reason for its bid was to establish a substantial presence outside the UK.

This last could prove to be one of the strongest in BT's favour, when Mr Leon Brittan, the Trade and Industry Secretary, receives the Commission's report in a few weeks. Officials in his department view with increasing concern the flagging international performance of Britain's information technology industry, and the notion that the sector may need some form of restructuring to strengthen its competitiveness appears to be

phone and Telegraph, which has decades of experience in manufacturing, has found it hard to establish a profitable business in markets such as computing and office automation since it was freed to compete outside its regulated telephone network.

Sir George has drastically changed BT's management style since he became chairman in 1981. Its monolithic structure has been broken down into profit centres and managers have been encouraged to take the initiative—even at the expense of some duplication and internal competition.

However, the new arrangements are still shaking down, and despite a recent board reshuffle, some City analysts believe BT's top management still looks a little thin. Mr Ian Vallance, BT's newly appointed chief of operations and effectively Sir George's second in command, says a priority is to build a management team able to see the company well into the 1990s.

Just getting through the 1980s is likely to provide quite a challenge, however.

There has been a net reduction of about 17,000 jobs in BT in the past three years, lowering total staff to about 230,000. This decline, which was achieved largely through attrition, coincided with the creation of several thousand new types of jobs inside the company and recruitment from outside.

Nonetheless, BT still looks quite heavily staffed by international standards. Though exact comparisons are difficult, it employs considerably more staff per thousand customers than do most of the regional Bell telephone companies in the US and, also, the French and West German telephone administrations.

Regulatory pressure from Ofcom, the growth of competition from Mercury and the introduction of new technology seem certain to demand further cost-cutting in the future. BT hopes to be able to respond without the need for compulsory redundancies, at least for the next few years.

There is obviously a risk that too precipitate a cut in staff could invite a political backlash. Here, BT's antiquated network of telephone exchanges could face serious practical problems. Two years ago, the Government urged BT to take a stake in ICL, the only British-owned mainframe computer maker, which was later acquired by STC.

BT declined to do so. It also agreed only under heavy lobbying pressure to give ICL even a small share of the orders for its massive internal computerisation programme. Most of the computer orders seem likely to go to IBM of the US and makers of "IBM-compatible" equipment.

Furthermore, BT has much to learn about surviving the competitive rough and tumble of world markets for information services and equipment. Even the vast American Tele-

gaining ground in Whitehall. BT's extensive financial and technical resources and its eagerness to develop on world markets make it an obvious candidate to play a leading role in any such reorganisation. Indeed, ministers have encouraged the company in the past to think of itself as a national information technology "flagship."

However, experience suggests that such an approach—even if directed to parts of the electronics industry outside the field of telecommunications—could face serious practical problems. Two years ago, the Government urged BT to take a stake in ICL, the only British-owned mainframe computer maker, which was later acquired by STC.

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BT's bid for Mitel throws these conflicts into still sharper relief. The Government referred it to the Monopolies Commission after intensive lobbying by Plessey and GEC, which feared that the acquisition could jeopardise their own sizeable sales to BT.

BT disputes these claims, insisting that it has no intention of purchasing exclusively from Mitel, only a fraction of whose sales are in Britain. Indeed, BT

of the few that the hemmed-in city can spare.

West Berlin's environmental chief is, however, on condition that it will be a public course. The city has a private nine-hole course—which can on occasion be extended by borrowing another nine holes from the adjoining US Army golf course.

The new layout will have one hazard, however, with which golfers do not usually have to contend—methane gas. The gas, seeping up from the garbage below, has virtually wiped out the pine trees that were planted on the dump.

But it is hoped that grass will survive where the trees have not. And specialists are now studying what effect the gas might have on the players.

Royal menus

In writing recently about Payne and Gunter's celebratory royal banquets, I confused the past with the present. Gunter's, in the past, has catered for Buckingham Palace but Payne and Gunter no longer does so, though it caters for many royal occasions.

Scenic route

You have to be very careful when you go to foreign lands to make acquisitions, as the Prudential found out recently.

The man from the Prudential purchased a house in Dublin, Ireland, and took a taxi to take him from his hotel to the company's offices.

On the way the driver agreedably pointed out famous landmarks of the capital such as O'Connell Street, the Guinness brewery and the Quays, and charged him 17 Irish "punts" for the trip.

Encouraged by his success, Dransfield is now turning his attention to pies and sausages.

Golf hazard

West Berlin's golfers may finally be provided with an 18-hole course—on top of a boulder and refuse dump within

slicing distance of the East German border. The site is one

BASE LENDING RATES

| | | | |
|------------------------|-------|------------------------|-------|
| ABN Bank | 11.5% | Haritable & Gen. Trust | 11.5% |
| Allied Dunbar & Co | 11.5% | Hill Samuel | 11.5% |
| Allied Irish Bank | 11.5% | C. Hoare & Co | 11.5% |
| American Express Bk | 11.5% | Hongkong & Shanghai | 11.5% |
| Henry Ansbacher | 11.5% | Johnson Matthey Bkrs | 11.5% |
| Amro Bank | 11.5% | Knowlesley & Co Ltd | 12.5% |
| Associates Cap. Corp. | 12.5% | Lloyd's Bank | 11.5% |
| Banco de Bilbao | 11.5% | Edward Manson & Co | 12.5% |
| Bank Hapoalim | 11.5% | Meghraj & Sons Ltd | 11.5% |
| Bank Leumi (UK) | 11.5% | Midland Bank | 11.5% |
| BCCI | 11.5% | Morgan Grenfell | 11.5% |
| Bank of Ireland | 11.5% | Mount Credit Corp. Ltd | 11.5% |
| Bank of Cyprus | 11.5% | National Bk of Kuwait | 11.5% |
| Bank of India | 11.5% | National Giro Bk | 11.5% |
| Bank of Scotland | 11.5% | National Westminster | 11.5% |
| Banque Belga Ltd | 11.5% | Northern Bank Ltd | 11.5% |
| Barclays Bank | 11.5% | Norwich Gen. Trust | 11.5% |
| Beneficial Trust Ltd | 12.5% | People's Trust | 12.5% |
| Brit. Bank of Mid East | 11.5% | PK Finans. Intl (UK) | 12.5% |
| Brown Shipley | 11.5% | Provincial Trust Ltd | 12.5% |
| CL Bank Nederland | 11.5% | R. Raphael & Sons | 11.5% |
| Canada Permanent | 11.5% | Roxburgh Guarantee | 12.5% |
| Cayzer Ltd | 11.5% | Royal Bank of Scotland | 11.5% |
| Cedar Holdings | 12.5% | Royal Trust Co Canada | 11.5% |
| Chorltonbury Japhet | 11.5% | Standard Chartered | 11.5% |
| Citibank NA | 11.5% | TCB | 11.5% |
| Citibank Savings | 11.5% | Trustee Savings Bank | 11.5% |
| City Merchants Bank | 11.5% | United Bank of Kuwait | 11.5% |
| Clydesdale Bank | 11.5% | United Mizrahi Bank | 11.5% |
| C. E. Coates & Co Ltd | 12.5% | Westpac Banking Corp | 11.5% |
| Comm. Bk. N. East | 11.5% | Whiteaway Laidlaw | 12.5% |
| Consolidated Credits | 11.5% | Yorkshire Bank | 11.5% |
| Continental Trust Ltd | 11.5% | | |
| Co-operative Bank | 11.5% | | |
| The Cyprus Popular Bk | 11.5% | | |
| Duncan Lawrie | 11.5% | | |
| E. T. Trust | 12.5% | | |
| Exeter Trust Ltd | 12.5% | | |
| Financial & Gen. Sec. | 11.5% | | |
| First Net Fin. Corp. | 12.5% | </ | |

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Letters to the Editor

Unique heresies of pay bargaining in the UK

From Mr P. Linklater

Sir.—In a free market economy any firm that pays significantly above the market for basic skills will cripple itself by denying resource for investment, design, growth, and, yes, job creation. To claim, as regards for the market is a totally irresponsible attitude from which our international competitors are exempt, because they regard monopoly "pay bargaining" as being an "evil equivalent to monopoly pricing". These words do not have the elegance of Samuel Brittan's, as they are called from a contribution I made to the CBI Annual Conference as long ago as November 1978.

The occasion was a debate on whether CBI should support what proved to be the final stage of the "social contract", a pay limit of 5 per cent. Pragmatists claimed that the figure was too restrictive, RPI increase was then raised to 8 per cent and the indications were that the TUC was only likely to co-operate if the limit was raised to 7 per cent. As a matter of record this was, for what is worth, an accurate appraisal and the defeat of the Callaghan administration in 1979 was a product of the final collapse of the "social contract" in an atmosphere of policies following in the wake.

Difficulties in farming

From Mr A. Campbell

Sir.—The difficulty the farming community has at present is a lack of direction. It faces a stark commercial future, with output prices falling against a background of rising input costs. It is aware that there are few alternatives to either quotas or price restraint or the withdrawal of government subsidies. In addition, as a community, it is continually criticised by the media for its excesses without any recognition of the fundamental contribution it makes to the stability of the economy.

Surely therefore, the time is right either for Mr Major or Mr Waldegrave to give direction or further proposing simplified and efficient schemes for the planting of hard and soft woods. These schemes will achieve a number of objectives: they will take agricultural land out of production for a minimum of thirty years, which by virtue of this duration would be by far the most long lasting means of utilising taxpayers' funds; the value of the wood products would not only aid our balance of payments by reducing imports, but also produce much needed jobs in rural areas; such schemes would appeal to

Alastair C. L. Campbell,
The National
Society of
Sociologists

Awareness of the Ecu

From Mr E. Cassidy MEP

Sir.—Dawnay reports (November 15) that citizens of the European Community have little awareness of the European Currency Unit (Ecu). Perhaps it is not too surprising as until recently there have been few opportunities for its use by consumers. Now, however, travellers' cheques are available in Ecu and it is possible for private individuals to hold both current and deposit accounts in Ecu.

Of much greater concern is the lack of knowledge of the usefulness of the Ecu in the business community, especially the British business community. Fluctuating exchange rates and

exchange rate overshoot and all, but we do not see the targets and, judging by recent letters, the economists themselves cannot agree on where the target is or how to find it.

Let us face it, economics today is where science was in the days of the alchemists and the practitioners of this pseudo-science will have to go on doing their sums for a 100 years or more until they get it right.

(Dr) J. Tadien,
75, Ave General Guisan,
1009 Pully-Lausanne.

Principles and postponing the TSB flotation

From Karen Warwick

Sir.—While the decision to postpone the flotation of the Trust and Savings Bank is arguably made your first leader of November 15 redundant within a few hours of its publication, the principles (or rather lack of such) underlying your analysis seem disturbing enough to merit comment.

You describe as "extremely distant and unquantifiable" the risk of the Government's failing to successfully assault in the European Court of Human Rights by an aggrieved depositor, presumably, his (qualified) right—under Article 1 of the first protocol to the European Convention on Human Rights—not to be deprived of his possessions.

Distant, no doubt. That court has yet to determine the Article 1 rights of the shareholders dispossessed and derisorily compensated by the last Labour administration in the Lithgow matter.

Unquantifiable, no. If the judgment of the Court of Session in the TSB case is successfully appealed in the Inner House or in the House of Lords, it will presumably be because the appellants finally establish that the complainants had been deprived (1) in the public interest, and subject to the conditions provided for (2) by law (for example local or national law), and (3) by the general principles of international law.

Fortunately, however, there are signs that wiser counsels

are now prevailing.

Karen Warwick,
109 Bull's Pond Road, NL

Sir.—Your leader (November 15) is in essence quite right. The depositors have more to gain by obtaining a shareholding than in simply proving their ownership. Most depositors, including the Scottish, would I imagine, accept a favourable treatment solution.

Their treatment when the terms are considered should bear in mind that money has to be saved for a lifetime receiving only a nominal interest (2.5 per cent) while the profits their investment generated were ploughed back by the Trustee Savings Banks.

I would like to suggest that the board of the TSB adopts a scale of discounts, in broad bands of time, from the offer price.

Those who opened accounts in the 12 months preceding December 1984 receiving a small discount while those of longer duration received a greater discount. Those who have had accounts for say 30 years or more should receive a substantial allowance. (I assume the TSB has kept records.)

Leonard Nelson,
36, Rokeby Drive,
Kenton.

Of these three "limbs" to the

WHEN THE Red Army crossed Guizhou province in China's remote southwest on the epic Long March in 1934, they found poverty on a scale that even they had not imagined. The opium-soaked, peasants were literally naked, enslaved from birth to death by their landlords. The harsh limestone country allowed only the meanest living to be scratched from its minimal soil.

Yet Guizhou has national, and probably world, importance for its deposits of coal, antimony, tungsten, mercury and bauxite. These have scarcely been tapped. Railways have spread into the province since 1949, but the combined effects of doctrinaire Maoism and local apathy mean that the provincial government is only now starting to tackle its enormous problems.

In the provincial capital, Guiyang, a curtain of dull-coloured fog hangs permanently above the scattered factories. Smoke pours from the chimneys, trapped in the valley by the motionless cloud.

No three miles without

mountains, no three days of

rain, no three ounces of

silver, runs the traditional

description of the province,

about as true today as when it was coined.

This is Deng Xiaoping's China, just as much as the increasingly prosperous cities and farmlands of the East. But there is no talk in Guiyang of the "get rich" policy, which has dominated Chinese thinking for several years. Though food production has begun to rise, officials admit that 20 per cent of the province's 25m people still do not have enough to eat.

Matching the grim economic

situation, a monster statue of Chairman Mao still raises his arm over Guiyang's Stalinist-style new town (the old town lies below on the banks of a polluted river).

The province has a new party secretary, 42-year-old Hu Jintao, famous as China's youngest. He seems to have been sent as a trouble-shooter from Anhui province, once a byword for poverty and leftism but now launched on a cycle of development. He will have his work cut out to do the same in Guiyang.

China's current "open door" policy is intended primarily to open up not the whole country but the belt of provinces along China's coast. The plan is that growing affluence should filter through them to the deprived west. In the densely populated areas along the eastern seaboard 600m people live and, if dissatisfied, they would constitute a considerable threat to Peking's control.

But 400m people inhabit the

more remote areas of the

country, where the evidence

is that they do not.

Mr C. Townsend (November 11) argued for "space in the week" for the priorities of relaxation, friendship, family life and the opportunity to worship without hindrance. I would answer that many families like to shop together on Sunday, it is for them a form of relaxation and recreation together with friendship. They are able to work as they are on any other day in the week. No one compels them to shop on Sundays, no one should prohibit them from doing so.

It surely cannot be other than reasonable that retailers should be allowed to satisfy the needs of their customers at times flexible, suitable and convenient to those customers.

There is, after all, massive evidence that this view is shared by the people.

H. Woolf,
60 Kings Road SW3.



Shopping together on Sunday

From Peter Gables

Dudley Woods

London

must fall, no one would suffer and many would be advantaged. But who would believe it?

He said that without legislation, to prevent Sunday trading, any one shopkeeper may have little choice than to compete by opening on that day. But few retailers take advantage of present circumstances which generally allow them to open until 8pm on the weekend.

He said that "a majority of the population may feel that Sunday should be a qualitatively different day, part of the rhythm of the week... and prefer most shops to be closed". The MORI poll of September and November 1983 established that 60 per cent of the public thought that shops should be allowed to open on Sunday. The Harris Research Centre, in a study commissioned by this company, in November 1984 found that more than eight out of 10 Londoners believed that shops should be free to open on Sunday...

Mr Francis argued that Sunday opening would not create extra trade and implied that the present amount of spending power was fixed in amount but that total trading costs would increase as a result. He should extend his logic and consider closing shops by law, an extra day or two or more, to save these costs. What is so special about opening 54 or six days; why not five, four, three, two or ultimately one? If the costs are proportionate and the spend fixed, shops could open it in turn to open say one or two days a week, perhaps supervised by the Local Authority so as to maintain a fair share of the "fixed" trade and, in deference to the public, could go on full or part paid holiday for the rest of the week, all other costs would be cut to the bone, prices

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must fall, no one would suffer and many would be advantaged. But who would believe it?

He said that without legislation, to prevent Sunday trading, any one shopkeeper may have little choice than to compete by opening on that day. But few retailers take advantage of present circumstances which generally allow them to open until 8pm on the weekend.

He said that "a majority of the population may feel that Sunday should be a qualitatively different day, part of the rhythm of the week... and prefer most shops to be closed". The MORI poll of September and November 1983 established that 60 per cent of the public thought that shops should be allowed to open on Sunday. The Harris Research Centre, in a study commissioned by this company, in November 1984 found that more than eight out of 10 Londoners believed that shops should be free to open on Sunday...

Mr Francis argued that Sunday opening would not create extra trade and implied that the present amount of spending power was fixed in amount but that total trading costs would increase as a result. He should extend his logic and consider closing shops by law, an extra day or two or more, to save these costs. What is so special about opening 54 or six

